



October 2016

Department for Culture, Media & Sport



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The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.21 billion in 2015.

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Executive summary

This Departmental Overview looks at the Department for Culture, Media & Sport (DCMS) and summarises its performance during the year ended March 2016, together with our recent reports on it. The content of the report has been shared with the Department to ensure that the evidence presented is factually accurate.

Part One sets out some facts about the Department and how it has performed against its responsibilities:

- Over the 2015 Spending Review period, Departmental expenditure will be cut by 5% with a 20% cut to the core Department administration expenditure budget.
- Departmental spend is dominated by Annually Managed Expenditure made by the BBC and lottery grant distributors.
- Museums and galleries have become more self-sufficient with less reliance placed on Grant-in-Aid funding.

Part Two sets out our findings from our work on the Department:

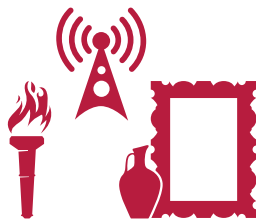
- The Comptroller and Auditor General (C&AG) gave a clear opinion on the Group's Annual Report and Accounts. The C&AG did not issue a qualified audit report for any bodies within the Departmental boundary.
- The National Lottery Distribution Fund has reserves of £1.7 billion against commitments for future grants of £3 billion.

Part Three looks ahead to the coming year:

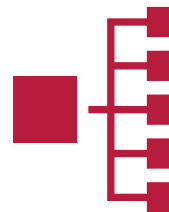
- A new BBC Charter, which includes significant changes to the governance of the BBC, is planned to come into effect from 1 January 2017, alongside a new Framework Agreement.
- BBC Commercial Holdings will be consolidated into the Department's Group accounts for the first time for the year ending 31 March 2017.
- The Royal Parks will adopt a new charitable status resulting in it leaving the Departmental boundary.

About the Department

The Department is one of the **smallest in Whitehall** and has responsibility for arts and culture, communications and media, sport and tourism.



The Department sponsors **41 arm's-length bodies** (ALBs) across a diverse range of activities and sectors, from specialist museums and galleries to the BBC.



In 2016, the Department issued its **Single Departmental Plan**, which outlined six key strategic objectives for this Parliament.



The **Department's Budget** for 2015-16 was £3.6 billion, excluding the BBC.



The BBC operates **independently of the Department** and the NAO is not currently its financial auditor. However, we do undertake a programme of value-for-money work on the BBC.



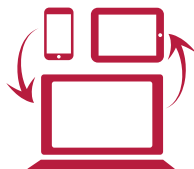
The vision of the Department is **'Driving growth; enriching lives and promoting Britain in the world.'**



Key facts

Superfast broadband

90% of the UK receives superfast broadband, and the Department is on target to achieve 95% coverage by 2017.



Rugby World Cup

England hosted the 2015 Rugby World Cup, which provided an estimated £1.1 billion boost to the national economy, with 406,000 international visitors.



Heritage

2015-16 was the first year the English Heritage New Model was operational, whereby English Heritage Trust took over the management of the National Heritage Collection.



Budget cuts

As part of the 2010 spending review, the Department's front-line resource budget was cut by 24% in real terms over the course of 2011-12 to 2014-15. The 2015 Spending Round has seen funding maintained in cash terms for museums and galleries, but the core Department's administration costs are due to decrease by 20%.



Economy

The Department's sectors contribute more than 13%¹ of gross value added to the wider UK economy, but account for less than 1% of total government expenditure.



Capital projects

An iconic new extension to Tate Modern was opened in June 2016 and was funded principally by private donations.



¹ Improvements in statistical methodology have led to a revision of this figure from the previously published 16%.

Changes to the Department's responsibilities in 2015-16



Transfers into the Department

Data Protection

In 2015-16, the Information Commissioner's Office became part of the Department and data protection was added to its remit.



Digital

The Digital Economy Unit is now wholly the responsibility of the Department (it was previously a joint responsibility of the Department and the Department for Business, Innovation & Skills).



Preservation

During September 2015, sponsorship of The National Archives was transferred to the Department from the Ministry of Justice.



Transfers out of the Department

Equalities

The responsibilities of the Government Equalities Office and Equalities and Human Rights Commission transferred to the Department for Education in 2015-16.



Where the Department spends its money

The Department's expenditure is controlled through the supply process where Parliament votes on an estimate of the Department's spend in a number of categories.

The main split is between Departmental Expenditure Limit (DEL) and Annual Managed Expenditure (AME). DEL relates to expenditure which is generally within the Department's control and can be managed with multi-year limits, such as the giving of grants. AME is expenditure which does not fall within DEL and is generally less predictable and controllable, such as provisions. The classification of BBC spend funded from licence fee and lottery grants as AME is because they are the product of 'hypothecated taxes' that cannot be re-prioritised to other government expenditure.

Expenditure for the Department's arm's-length bodies (ALBs) is shown net of self-generated income. Income figures shown are therefore the income of the core Department and the Royal Parks as its Agency only.

Including the BBC, the Department's total DEL and AME resource and capital gross expenditure for 2015-16 was £6.5 billion.

The Department's expenditure is dominated by AME with a total of £4.3 billion spent in 2015-16. The BBC and Lottery Grants make up £3.2 billion and £1.1 billion of this AME spend respectively.

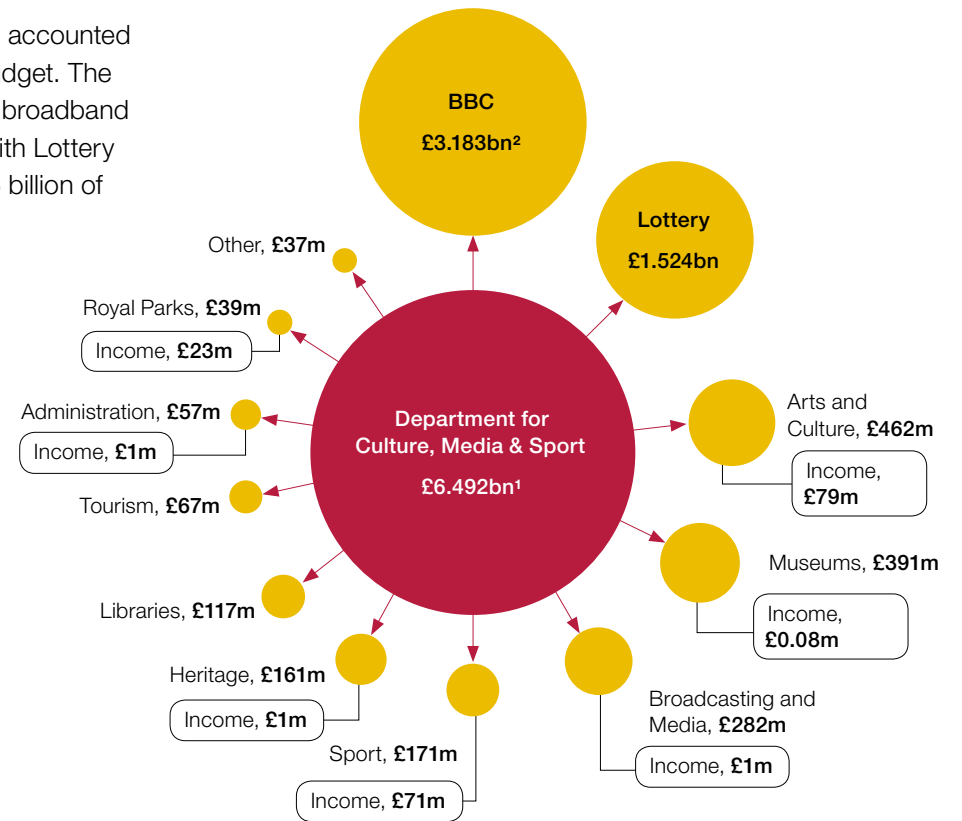
Resource DEL makes up £1.4 billion of the Department's spend, with programme expenditure totalling £1.2 billion (89%) of this. Of this programme expenditure, spend on Arts and Culture and Museums makes up the majority with a total of £0.8 billion.

The Department's capital expenditure accounted for £0.8 billion of the Department's budget. The Department's Superconnected Cities broadband programme contributed £0.2 billion with Lottery Grants contributing an additional £0.5 billion of this spend.

Core Department and Agency income was £0.2 billion. The majority of this came in from the Arts and Culture sector (£0.1 billion) and the Olympics Legacy Programmes (£0.1 billion).

Notes

- 1 The Department for Culture, Media & Sport's gross expenditure was £6.5 billion in 2015-16, with income of £0.2 billion, reducing the final net public expenditure to £6.3 billion. Figures include spending in Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME), voted and non-voted, for resource and capital spending. The individual accounts for each of the organisations will not reconcile directly to the figures shown above due to adjustments made in the Supply Accounting process.
- 2 The BBC expenditure shown is the Public Sector Broadcasting and pensions only. This will not reconcile to expenditure reporting in the BBC's own accounts.



Source: Department for Culture, Media & Sport Annual Report and Accounts 2015-16

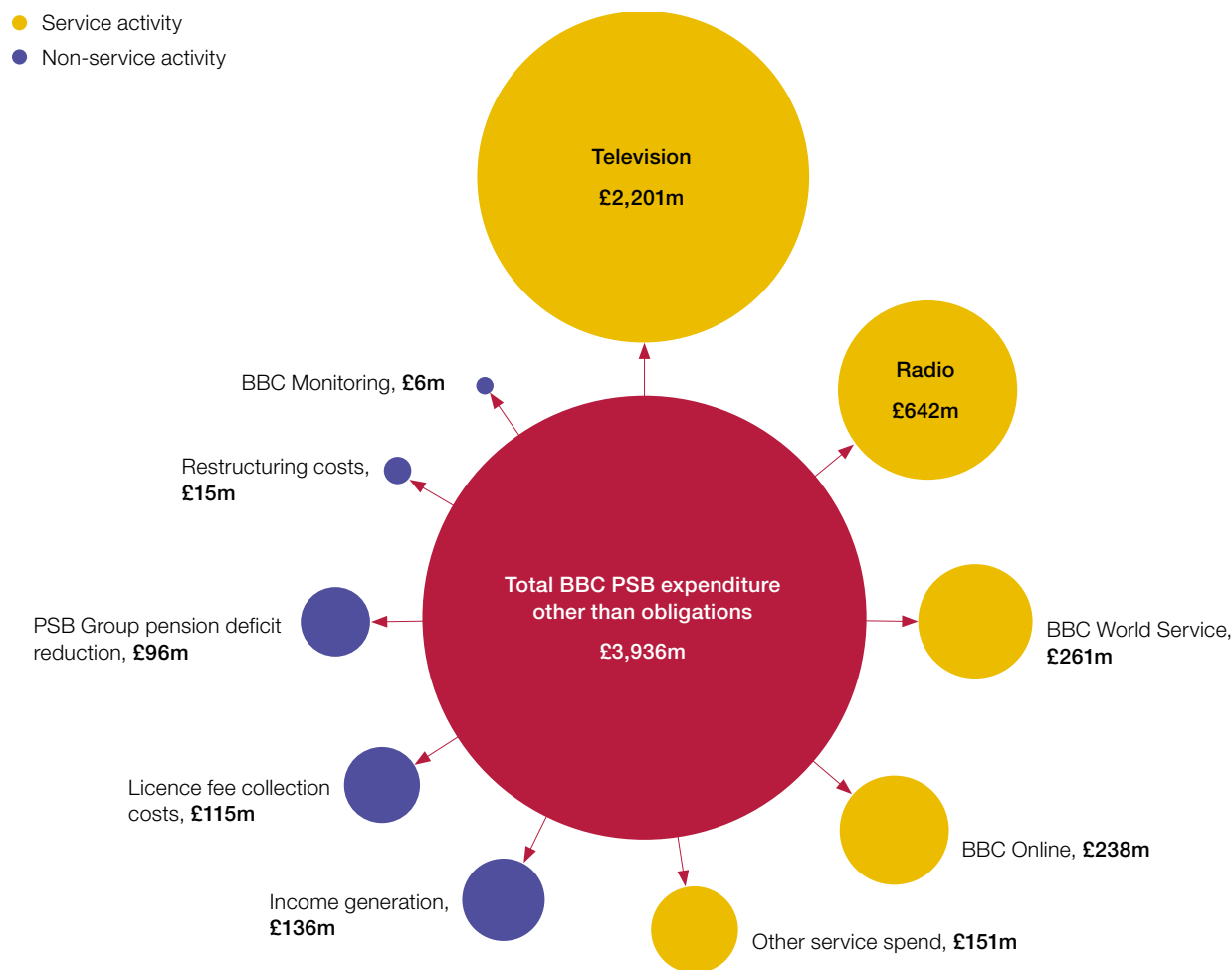
Where the BBC spends its money

The BBC Charter and Framework Agreement sets out the BBC's independence from government.

The BBC remains a public service broadcaster and is partially funded by the licence fee. The licence fee is collected by the BBC on behalf of the government. The BBC then provides the monies collected to the government, with this then distributed back to the BBC through the Department. The Public Service Broadcasting (PSB) element of the BBC has been designated as a Central Government body by the Office for National Statistics and is therefore consolidated in to the Department's 2015-16 group accounts. BBC Commercial Holdings was designated as Central Government in November 2015 and will be consolidated starting in 2016-17.

The BBC publishes separate Group Accounts which disclose where it has spent resources in the prior year. The 2015-16 Accounts show how the BBC has spent the licence fee income through its expenditure by service analysis. This graph demonstrates the cost to the BBC of each of its services in 2015-16.

'Other service spend' includes orchestras and performing groups, S4C service spend and development spend as well as other obligations such as contribution to broadband and local television.



Source: BBC full Financial Statements 2015-16

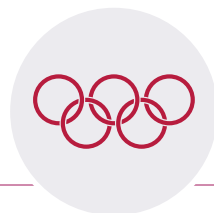
Key aspects of the 2015 Spending Review



Ensuring continued free access to national museums and galleries as part of a settlement that maintains funding in cash terms for museums, galleries and the arts.



£1.6 billion of capital investment over the next five years to fund broadband and spectrum clearance infrastructure projects and modernisation and estate restructuring at ALBs.



Increased central government funding to elite sport to build on the success of the London 2012 Olympic and Paralympic Games at Rio 2016 and Tokyo 2020, and a flat cash settlement for grassroots sports funding.



A reduction in the Department's core administration costs, and reforms including a new operating model for the Royal Parks to ensure a sustainable financial future.

Key aspects of the 2015 Spending Review *continued*

As part of the 2015 Spending Review, the Department's overall budget will be cut by 5% over the next five years, which includes a 20% cut in the core Department's administration budget. This reduction was lower than expected.

The Department's Estimate Memorandum sets out an overview of the Department's spending plans following the 2015 Spending Review.

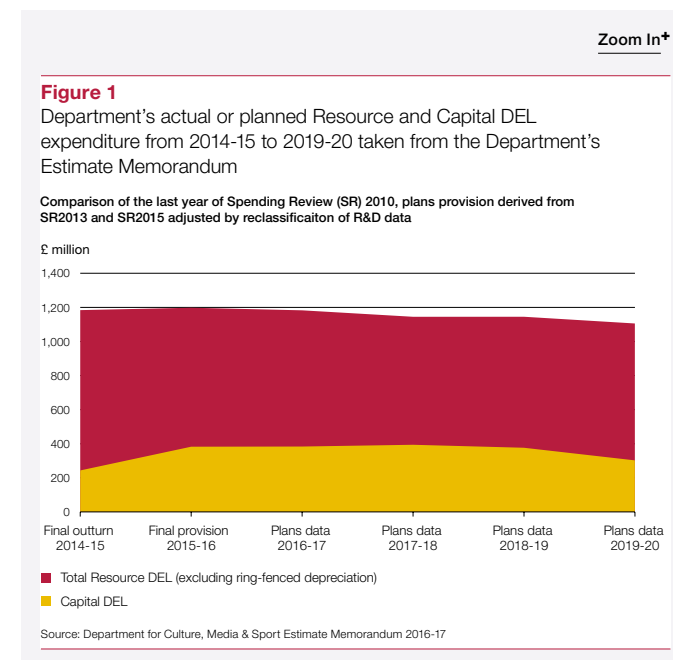
The Estimate Memorandum shows that Resource DEL (excluding ring-fenced depreciation) is due to fall in cash terms by £92 million over the period from 2015-16 to 2019-20, £27.7 million of this reduction will be funded by cuts to the administration budget (excluding depreciation) (Figure 1).

The Estimate Memorandum also shows that Capital DEL is due to reduce in cash terms by £80 million between 2015-16 and 2019-20. This reduction will not be seen until 2018-19 and 2019-20 due to the expenditure profile of the spending review which includes major infrastructure projects such as Phase 2 of Superfast Britain and 700Mhz spectrum clearance.

In response to spending reductions, museums and galleries have successfully managed to raise more income to become less reliant on Grant-in-Aid provided by the Department.

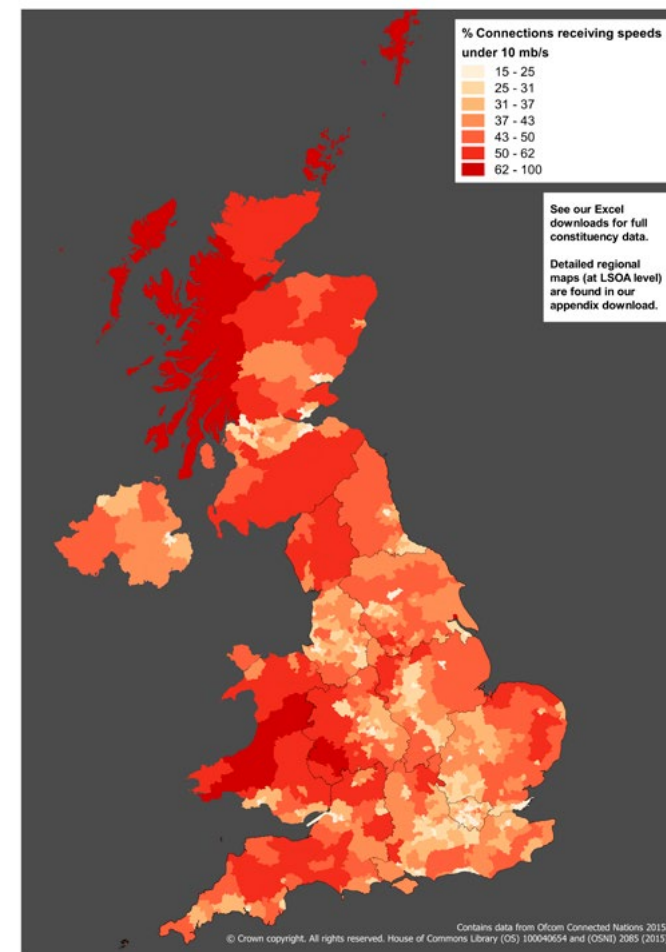
The English Heritage New Model (whereby a new charitable company took over the management of the National Heritage Collection) began operation in 2015-16, with a view to the Historic England group becoming self-financing by 2022-23.

The Royal Parks Agency has gained approval to restructure its operations under a new model. Similar to the English Heritage New Model, a new charitable body will take over the role of managing the parks from the Agency. It is hoped that the creation of the new entity will be completed by the end of financial year 2016-17.



Priorities from the 2015 Spending Review

Priorities	Description
700MHz Spectrum Clearance	The government announced that up to £550 million will be invested to make the 700MHz spectrum band available for mobile broadband use. An accelerated timetable for the programme will be announced shortly. The ambition is to clear the spectrum by mid-2020, with a review to confirm the final timetable in August 2017.
Broadband	The government's aim is for universal access to basic broadband (speeds of over 2 mb/s) from the end of 2015 and for superfast broadband coverage (speeds of over 24 mb/s) to reach 95% of the UK by December 2017. Capital expenditure of £120 million will be invested in 2016-17 to meet the government's objective. The map to the right from Ofcom shows the percentage of connections below 2 mb/s in summer 2015.
Blythe House Investment	A £150 million investment will be made to support the British Museum, Science Museum and Victoria and Albert Museum to replace out of date museum storage at Blythe House. Of this spend, £140 million will fall within the current spending round. Once completed, Blythe House will be sold to generate a capital receipt for HM Treasury.
Discover England Fund	The government announced a £40 million fund to support its five point plan for tourism, to be managed by Visit Britain. A large proportion of this fund will be distributed through grant awards to projects with the aim to encourage visitors to explore beyond the capital. Small scale projects and pilots are planned to be delivered by 2017 to test and trial new approaches, with large scale collaborative projects to be delivered over the two year period of 2017–2019.



Source: Briefing paper, *Superfast Broadband Coverage in the UK*, CBP06643, August 2016

Findings from 2015-16 Annual Report and Accounts

Findings from value-for-money studies

Findings from cross-government studies

2015-16 Annual Report and Accounts

Significant liabilities

Contingent liabilities

Remote contingent liabilities

Provisions, losses and special payments

Findings from our audit of the 2015-16 Annual Report and Accounts

Audit opinion on the 2015-16 Accounts

Opinion on the financial statements, regularity and other matters

The Comptroller and Auditor General (C&AG) gave a clear opinion on the Department's Group Annual Report and Accounts for the accuracy of the financial statements and other sections of the annual report that are subject to audit, and the regularity of transactions.

The C&AG did not issue a qualified audit opinion for any bodies within the Departmental boundary.

Each year, the NAO undertakes an audit of the BBC's Licence Fee Trust Statement. The C&AG gave an unqualified opinion on these accounts.

Headlines from the Departmental Group Governance Statements

The next BBC Royal Charter will cover an 11 year period, starting on 1 January 2017.

The licence fee will increase in line with inflation for the first five years of the new Charter.

Subject to regulatory approvals, BBC Studios will be created as a commercial subsidiary.

The BBC's governance is changing, as the BBC Trust is being replaced with a unitary board, alongside regulation by Ofcom.



In the coming year, **Sport England** will be working with **UK Sport** and the other home nation sports councils to develop a new Governance Code for Sport in the UK, as required under the UK government's December 2015 publication: *Sporting Future – A New Strategy for an Active Nation*. The Strategy was released to address the flatlining levels of sport participation and high levels of inactivity in the UK.



Arts Council England undertook a review of the effectiveness of its National Council in 2015-16. Two issues emerged from this.



There is a need to review the expectations placed on the five area chairs of the Council as the role has been expanded in recent years and therefore the time commitment had increased significantly.

The other significant concern was the capacity of the organisation to deliver its 'business as usual' activity as well as the requirements of high profile projects such as the Culture White Paper.

The **Royal Parks Agency** has received approval to change the way in which the parks are managed in the future. A new charitable body will be set up and take on the role of managing the parks as well as the fundraising side currently undertaken by the Royal Parks Foundation.

The charitable body is being set up to enable the Royal Parks to plan and spend more strategically for the longer term benefits of the parks and to be better placed to attract philanthropic giving.



Findings from 2015-16 Annual Report and Accounts

Findings from value-for-money studies

Findings from cross-government studies

2015-16 Annual Report and Accounts

Significant liabilities

Contingent liabilities

Remote contingent liabilities

Provisions, losses and special payments

Significant liabilities

Pensions

Unlike the majority of government, the DCMS group has a number of pension schemes that are outside of the Principal Civil Service Pension Scheme (PCSPS). The largest scheme within the DCMS group is the BBC's defined benefit plan. Although only one part of the BBC Group has been consolidated into the Department's Group accounts (BBC Public Service Broadcasting [BBC PSB]), the full liability of the BBC pension deficit is included in the Departmental Group accounts as it is not possible to allocate the Scheme's deficit across individual divisions of the BBC. The current deficit is £1 billion.

Other schemes within the Departmental Group and their deficits include (all measured as at 31 March 2016):

- The British Film Institute Pension Schemes (part of the Local Government Pension Scheme). BFI's share of the pension deficit is £53.4 million;
- Sport England (part of the London Pension Fund Authority). The total deficit attributed to Sport England is £46.6 million;
- The British Tourist Authority (member of the British Tourist Boards Pension Scheme). The BTA share of the pension deficit is £29.7 million;
- The majority of UK Sport staff are members of the London Pension Fund Authority. Total deficit attributed is £13.8 million; and

- English Institute of Sport (part of the London Pension Fund Authority scheme) has a share of the deficit equal to £13.6 million.

The present value of the net pension liability depends on a number of actuarially derived assumptions about inflation, salary and pension trends, the time-value of money, mortality rates and long term expected rate of return on underlying assets. The estimated liability is subject to fluctuation and uncertainty due to changes in these assumptions over time and differences between assumptions and actual events. A small change in the assumptions can have a significant impact on the valuation of the liabilities.

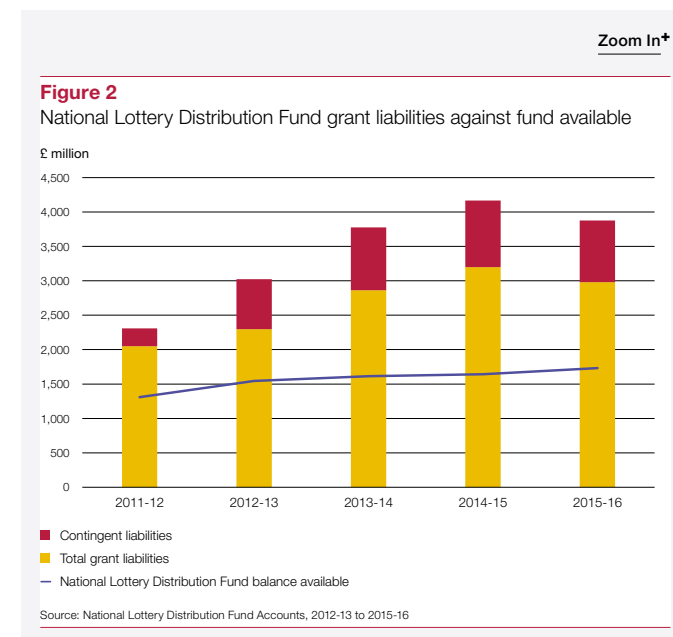
The Ofcom scheme currently recognises a pension asset of £15.4 million. A number of other ALBs participate in the Local Government Pension Scheme.

Lottery liabilities

The National Lottery Distribution Fund (NLDF) was launched at the time of the National Lottery to receive and hold monies generated.

The NLDF has built up a significant reserve designed to meet future commitments. At 31 March 2016 the reserve was £1.7 billion. Against this, the lottery distribution bodies had made commitments of £3.0 billion in the form of future grants (over half of which fall due between one and five years).

In addition to these grant liabilities and commitments, the NLDF has potential, or contingent, liabilities totalling £896 million. These contingent liabilities arise when a lottery distributing body has decided in principle to fund a project but the criteria to recognise a liability in the lottery distribution bodies' Reports and Accounts have not yet been met.



Findings from 2015-16 Annual Report and Accounts

Findings from value-for-money studies

Findings from cross-government studies

2015-16 Annual Report and Accounts

Significant liabilities

Contingent liabilities

Remote contingent liabilities

Provisions, losses and special payments

Contingent liabilities

Quantifiable contingent liabilities

Horseracing Betting Levy Board (HBLB)

There are two contingent liabilities relating to the HBLB: guaranteeing pension contributions for £10.6 million and underwriting loans for the Home of Horseracing Trust for £1.5 million. The total value if the liability crystallises is estimated at £12.1 million.

Sport England

There is a small contingent liability with a value of approximately £0.5 million in relation to a contract between Sport England and the FA. This set out that the FA would contribute £0.5 million to the construction of a hostel if the FA was able to use the premises for its Medical and Education Units. If this agreement was broken prior to 2039, a proportion of the £0.5 million would fall due to be paid to the FA.

Unquantifiable contingent liabilities

Olympic Delivery Authority (ODA)

The ODA had a liability for repairing defects in the buildings constructed by Stratford Village Development Partnership, provided that the legacy owner has exhausted all alternative contractual rights and remedies. The liability expires on 15 July 2026. This contingent liability passed to DCMS following the dissolution of the ODA on 2 December 2014.

The Hague Bill

The government has announced its intention to ratify the Hague Convention for the Protection of Cultural Property in the event of Armed Conflict and accede to its two protocols. This Bill creates a number of new offences into domestic law. The Department has an unquantifiable contingent liability for the additional costs related to imprisonment and legal costs incurred by the Ministry of Justice for prosecutions brought solely under this new legislation.

The Royal Parks

The Royal Parks has an unquantifiable contingent liability in respect of an incident in one of The Royal Parks.

British Library Newspaper Digitisation project

The British Library has undertaken the digitisation of millions of pages from its archive using a commercial partner to take on the costs of digitisation in return for being able to exploit the content for commercial purposes. The supplier will cover any liability falling on the Library as a result of any claims, relating for example to copyright infringement or defamation, up to a value of £5 million. The Department has agreed to permit the British Library to underwrite any liability which goes above the £5 million covered by the supplier, for the duration that such claims may arise.

Tate Gallery potential clawback of London Development Agency (LDA) Grant

In March 2006, the Tate Gallery was awarded a grant of up to £7 million from the LDA to facilitate the clearing of land to be used by Tate Modern. The grant was payable in instalments, with £6 million paid so far and is conditional on the Tate Gallery meeting set criteria by certain dates. As part of the agreement, the LDA took charge of part of the Tate Modern site. If the criteria for the grant are not met, the grant must be repaid or the land passed over to the LDA. The remaining criterion is that the work is completed by 13 December 2016. The Tate Modern Project opened in June 2016. This contingent liability therefore falls away in 2016-17.

The British Museum

The British Museum is in a legal dispute with Camden Council over the withdrawal of charitable relief on business rates on parts of its Bloomsbury site. The tax bill if the Museum loses the case is estimated at £1 million.

Findings from 2015-16 Annual Report and Accounts

Findings from value-for-money studies

Findings from cross-government studies

2015-16 Annual Report and Accounts

Significant liabilities

Contingent liabilities

Remote contingent liabilities

Provisions, losses and special payments

Remote contingent liabilities

Quantifiable remote contingent liabilities

Historic Royal Palaces

The current 'Borrowing facility for Historic Royal Palaces' of £4 million expired on 30 September 2016. This is considered a remote contingent liability.

Government Indemnity Scheme (GIS)

The GIS indemnifies lenders to museums, galleries and other institutions in the UK when mounting exhibitions or taking long-term loans for either study or display. It is a statutory liability worth £6.5 billion at 31 March 2016. The value of the indemnity scheme is driven by the number and value of the works of art on loan and those on long-term loan. During the year, the Department recognised £4.2 million in respect of the GIS. This was almost entirely due to the loss of a painting for which no claim has been received or processed.

Unquantifiable remote contingent liabilities

Jubilee Gardens

The Department has given an indemnity to Arts Council England and the Southbank Centre Limited to cover any costs in replacing the Jubilee Gardens should a subsoil lease be exercised. The cost of this is estimated to be £2 million and is not time limited. The risk of the indemnity being called upon is low as there is currently no intention to build such a car park and the likelihood of receiving planning permission is low.

BT Pension Scheme

When BT was privatised in 1984, the government had a guarantee in respect of certain liabilities. This transferred to the Department in 2011. The guarantee would only apply if BT were to enter insolvent winding-up and would cover the BT pension scheme deficit (actuarial valuation of £7 billion as at 30 June 2014).

World Athletics Championship

The Department has agreed to cover costs of the 2017 World Athletic Championships to the extent that the actual costs exceed budget or where there is a shortfall in revenue.

Olympic Delivery Authority (ODA)

Upon dissolution of the ODA on 2 December 2014, a number of contingent liabilities passed to the Department. These include:

- one-third of the cost of constructing new railway sidings which could crystallise in 2023;
- an indemnity to cover the cost of Lee Valley Regional Park Authority from any pollution or contamination arising from the Lee Valley White Water Canoe Centre (this expires in 2021); and

- an agreement to repay third party funding for the Lee Valley Hockey and Tennis Centre at Eton Manor if the agreement for operation of the facility is terminated (this can only be triggered after 2019 and the clawback liability expires in 2024).

4G mobile signal roll-out

The Department has guaranteed to fund any expenditure required over a £180 million threshold to provide mitigation assistance where public digital television accessibility was affected by the 4G roll-out. It is considered highly unlikely that the threshold will be breached as current forecast expenditure is only £120 million.

Guarantees to, and on behalf of, the Tate Foundation

The Tate Gallery has guaranteed borrowings by the Tate Foundation of up to £55 million which are expected to be repaid from future donations until 2018. It is considered very unlikely that Tate will be called upon to pay anything under the guarantee.

Findings from 2015-16 Annual Report and Accounts

Findings from value-for-money studies

Findings from cross-government studies

2015-16 Annual Report and Accounts

Significant liabilities

Contingent liabilities

Remote contingent liabilities

Provisions, losses and special payments

Provisions, losses and special payments

Provisions

The Department had £126 million of money set aside for specific events at 31 March 2016, an increase of £10 million on the previous financial year. The majority of these fall into the 'other' category in the financial statements and are made up of BBC related provisions, these being:

- **The BBC PSB Group Restructuring Provision** – £86 million set aside for the restructuring programme within the BBC and the Delivering Quality First Strategy which is due to be completed in 2016-17.
- **BBC PSB Group Litigation and Insurance** – £18 million set aside for BBC litigation and insurance.
- The other provisions held by the Department include grant commitments made by the Lottery bodies and early departure and redundancy costs.

Losses and Special Payments

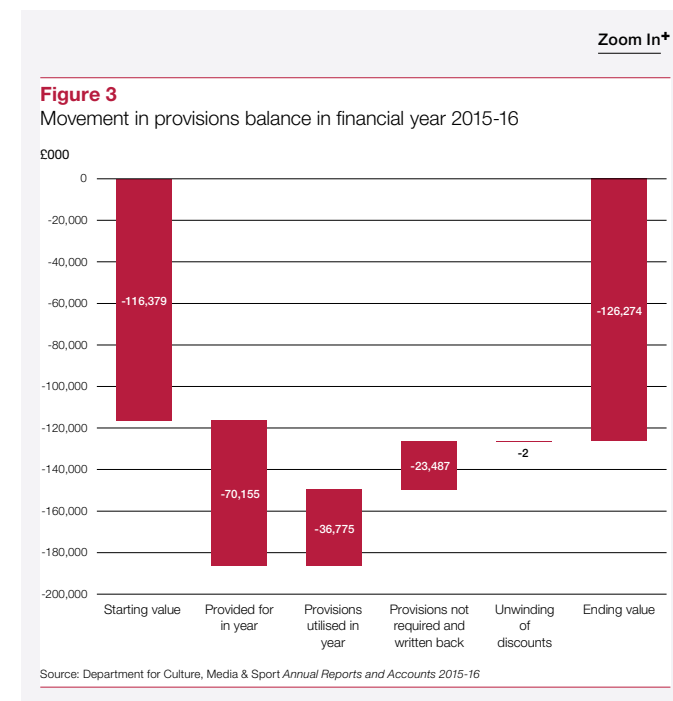
In April 2015, an effort was made to divert a Grant-in-Aid payment made to an arm's-length body by the Department. No funds were lost and internal audit completed a review of controls and processes. This found significant improvements were required and controls have subsequently been tightened.

The National Audit Office (NAO) identified an error in the calculation that creates the annual Public Lending Right figures (used to pay authors for use of their books in public libraries). The loss identified and not recovered was £264,115.

The decision was made not to continue with the framework agreement between the Cabinet Office and Arvato for the provision of a Shared Service solution due to the risks and costs exceeding potential savings. The cost to the Department of exiting the framework was £162,000. Preparation costs that will no longer have any benefit to the Department came to an additional £169,000.

The £2.3 million held in assets for the construction of Tate Gallery's National Arts Collection Centre was written down to nil. The scheme as it stands is not right for Tate's needs and is therefore being reappraised.

The Big Lottery Fund: Funding Management System failed to deliver the functionality needed. The Big Lottery Fund has therefore applied an impairment of £9.5 million.



Findings from value-for-money studies

The NAO does not have a dedicated value-for-money team for the Department, so particular care and attention is taken during financial audit to uncover and investigate areas for improvement. The NAO does however carry out value-for-money studies relating to the BBC, reporting to the BBC Trust.

BBC World Service (June 2016)

The World Service has successfully delivered much of what it set out to do back in 2010: it has invested in new digital and television services and integrated its services more closely with the rest of the BBC.

This transformation has delivered value for money, but there is scope to improve the approach to target setting and performance reporting.

Management of the BBC's Critical Projects (May 2016)

The BBC has strengthened oversight of its critical projects following the serious shortcomings that we identified in the oversight and delivery of its Digital Media Initiative project.

While progress has been made, further concerted action is needed. The BBC's assurance arrangements cannot give confidence that projects will achieve value for money if performance and expected benefits are not defined and reported clearly from the start. The BBC needs to do more to manage its critical projects as a coherent portfolio. This will be crucial if the BBC is to achieve value for money from its assurance arrangements.

BBC Television Licence Fee Trust Statement for the year ending 31 March 2016 – audit report of the Comptroller and Auditor General (C&AG)

Every year the C&AG publishes a report on the mechanism for **collection of the licence fee**. In 2015-16, this report focused on what the BBC does to detect, monitor and take enforcement action against those evading the licence fee while watching live television on a non-TV device (such as a smartphone or laptop computer).

The report found that:

- The BBC recognises that changing viewing habits pose a risk to licence fee income. Television ownership is falling, and the BBC understands that viewers who watch television on other devices are less likely to pay the licence fee because they do not know they need a licence, or they do not think they can be caught.

- While the BBC recognise this as a significant risk to income, it does not have a specific approach to target this form of evasion, as it considers that the group is too small to merit a targeted approach, and the group is managed in the same way as others evading the licence fee.
- The BBC's communications with potential licence fee payers have been updated to include guidance on licence fee requirements for non-TV devices, but marketing and enforcement activities are not targeted at the groups the BBC know are most likely to evade in this way.

The report also followed up on recommendations from the 2014-15 report on the evasion model (the BBC's evasion model calculates the level of evasion from the licences in force at 31 March, the number of premises and the proportion of those premises which should be licensed). It found that although the BBC had simplified the evasion model and made it easier to understand, some data used to estimate the evasion rate was outdated, or was not underpinned by sufficient evidence.

Findings from cross-government studies

In July 2016, the NAO published a comparative study based on work undertaken in the Department; the Department for Business, Innovation & Skills (BIS); Ministry of Justice (MoJ) and the Department for Environment, Food & Rural Affairs (Defra).

Departments' oversight of arm's-length bodies – a comparative study (July 2016)

The report found that the Department takes a more light-touch approach to managing and overseeing its arm's-length bodies (ALBs) than the other departments included in the study. The study did not reach any conclusions on the suitability of this approach and its effectiveness compared to other departments' approaches.

Key findings from the review of oversight of arm's-length bodies (ALBs)

1

There is no single list of ALBs across government, nor a common understanding of when ALBs should be used or what type of ALB is most appropriate for particular circumstances. These inconsistencies hamper a coherent approach to overseeing ALBs that is consistent with their purpose.

2

Findings relating to the Department include that it takes a light-touch approach to oversight, placing less emphasis on process and more on developing relationships at a senior level. Across the Department, day-to-day oversight of appointments has increased. Some of the Department's ALBs reported that honest discussion of risks and issues was enabled by a good two way working relationship. It also found that the Department's ALBs had an appetite for more support on risk management.

3

To get the best from ALBs, we recommended that the Cabinet Office works with departments to improve their understanding of the costs and benefits of different approaches, and to develop and implement a guiding framework for effective oversight. We proposed a 'principles based' rather than one-size-fits-all approach, but it is clear that the broad range of approaches cannot all be equally good at getting value from ALBs.

Major developments for the year ahead

Single Departmental Plan 2015–2020

Digital transformation

Workforce capability

Departmental developments

BBC Charter Review

Departmental developments

Consolidation of BBC Commercial Holdings

Due to a change in the Office for National Statistics classifications of BBC Commercial Holdings, a significantly larger portion of the BBC is expected to be consolidated into the Department's group accounts in 2016-17.

The impact of Brexit

There is currently uncertainty surrounding the impact of the United Kingdom's vote to leave the European Union, including for sectors that fall within the Department's remit such as the creative industries, culture, tourism, telecoms, digital, gambling and sporting sectors – which between them contribute more than 13% of total Gross Value Added to the UK economy. The former Secretary of State announced that the Department will support these sectors in seeking new arrangements which will maintain trade relations and encourage new opportunities.

The Office for Civil Society (OCS)

As part of a Machinery of Government change announced in July 2016, the OCS will be transferred from the Cabinet Office to the Department for Culture, Media & Sport (DCMS). The transfer will include responsibility for youth policy and the National Citizen Service. OCS's functions relating to policy innovation will remain with the Cabinet Office.

It is expected that this will be a significant addition to DCMS with around 80 staff and grants of over £150 million.

The Royal Parks Agency operating model

The Royal Parks Agency has received approval to change the way in which the parks are managed in the future. A new charitable body will be set up and take on the role of managing the parks as well as the fundraising side currently undertaken by the Royal Parks foundation, an independent entity, with which the new body will be merged.

The Department intends that the new charity will be increasingly self-sustaining and that its arm's-length status should allow it to present a more compelling case for the support of sponsors and donors.

The new board is in the process of being created, with Loyd Grossman appointed as the new Chair. It is hoped the new body will be launched by the end of the financial year 2016-17.

Blythe House programme

The government holds the freehold to Blythe House, which is currently occupied by the British Museum, Science Museum and the Victoria and Albert Museum.

The Department has formed a programme to work in partnership with the three national museums to dispose of Blythe House by 2023 and to establish adequate replacement storage arrangements for the museum collections.

Major developments for the year ahead

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BBC Charter Review

BBC Charter Review

The BBC's Royal Charter sets out the BBC's public purposes and outlines the duties of the Trust and the Executive Board.

The BBC's Royal Charter is supported by a Framework Agreement between the BBC and the Secretary of State for Culture, Media & Sport. This Agreement provides further details of the BBC's role, funding and duties.

As part of the current agreement, the BBC and the Secretary of State have allowed the National Audit Office (NAO) to carry out value-for-money examinations on the BBC's use of licence fee income. This is a voluntary arrangement – the NAO does not have statutory rights of access. Under this voluntary arrangement, the NAO submits reports to the BBC Trust. The Trust sends them to the Secretary of State, who is responsible for laying them before Parliament. This arrangement is specific to the BBC.

The current Charter and Agreement expire on 31 December 2016.

A draft of the new Royal Charter and Framework Agreement were published on 15 September 2016.



Key features of the draft Charter:

- greater openness and transparency in the BBC, including over the salaries of its employees and talent earning £150,000 or more;
- reforming the BBC's mission and public purposes to enhance the distinctiveness of BBC content;
- reforming the governance and regulation of the BBC, through a new unitary board and a new regulatory role for Ofcom;
- prioritising the independence of the BBC, with the BBC appointing a majority of members of the new unitary board;
- maintaining the licence fee as the BBC's key source of funding;
- ensuring the BBC's market impact is proportionate;
- ensuring the BBC serves the nations and regions in the UK; and
- the NAO will become the BBC's financial auditor, and be enabled to evaluate value for money across all of the BBC's activities.

Major developments for the year ahead

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Key elements

Delivering efficiently in DCMS

Single Departmental Plan 2015–2020

Summary of the **six** key elements of the Department's Single Departmental Plan for 2015–2020.

Growing the economy



Building a stronger and more competitive economy: the Department accounts for less than 0.2% of central government spending, but its sectors contribute more than 13% of gross value added (GVA) to the economy. The Department aims to achieve this objective by:

- improving productivity through use of technology;
- promoting the competitiveness of the UK's creative and digital industries;
- creating more value from the radio spectrum through releasing capacity to the market; and
- promoting the UK's tourism sector.

Connecting the UK



Be the leader in Europe in mobile and broadband connectivity: a key objective of the Department is to improve productivity in the technology and creative sectors. The Department will start to explore new technological opportunities such as 5G, maintain the UK's current communications and broadband infrastructure, and improve cross-governmental working on the digital economy.

In 2015-16, the Digital Economy Unit moved under the remit of the Department, as did data protection responsibilities. Superfast broadband coverage is currently 90% with a target to reach 95% by the end of 2017.

Encouraging participation



Everybody should be able to access and participate in arts, heritage and sport: There is significant economic benefit from investment in arts, heritage and sport. It has been estimated in the Department's Single Departmental Plan 2015–2020 that £1 billion in grants contributes £250 billion to the UK economy. Over this parliament, the Department intends to maintain free access to museums and galleries, promote heritage sites, and invest in greater participation in sport.

Sustaining excellence and promoting Britain



Promoting Britain around the world: the Department is investing in the tourism sector, promoting excellence in the art and culture sectors, and delivering elite sporting success.

The Department has set challenging targets for VisitBritain and VisitEngland to promote tourism outside of London. The Department continues to invest in elite sports as part of the London 2012 Olympic and Paralympic legacy.

Supporting the media



The Department works closely with the media sector to support a free press and achieve a thriving media sector: it aims to do this through "promoting a healthy, sustainable and world-leading media market at every level in the country".

The Department completed the BBC Charter Review. The draft Royal Charter and Agreement were published in September 2016.

Ensuring social responsibility



The Department works with other bodies to protect and take responsibility for the interests of the British people: this includes areas such as online safety, gambling and licensing, media regulation and data protection. The priorities under this objective are to protect children and other vulnerable groups, progress anti-piracy projects, and strengthen OFCOM's role.

To achieve this objective, the Department will work with schools to improve child safety, maintain a healthy regulatory environment in the media sector, and ensure the data protection policy covers all citizens and supports the growth of the digital economy.

Major developments for the year ahead

Single Departmental Plan 2015–2020

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Delivering efficiently in DCMS

Delivering efficiently in DCMS

What DCMS is doing

The Department is committed to reducing operating costs over the parliament, while continuing to improve efficiency and effectiveness of its services. This includes:

- Consolidating and reducing the estates footprint, including through the relocation of the Government Art Collection.
- Supporting its arm's-length bodies (ALBs) to realise major invest-to-save projects.
- Administrative savings over the spending review, in line with Broadband Delivery UK's delivery schedule.
- Establishing a 1% ALB year-on-year efficiency target against total grant-in-aid funding across the spending review period, which can be recycled into front-line services.

DCMS working collaboratively

The Department is committed to working collaboratively with Cabinet Office, HM Treasury and other government departments to deliver change, including:

- Developing digital solutions that meet common standards set by the Government Digital Service and use cross-government platforms as part of departmental digital services wherever this demonstrates the best value-for-money solution for government.
- Rationalising its estate in a joined-up way, looking to develop 'government hubs' with other government departments, releasing land for housing where possible and participating in the development of the new commercial property model.

- Delivering savings in commercial relationships including through spend on common goods and services, delivered in partnership with Crown Commercial Services. Continuing to build commercial capability and working with Crown Commercial Services to deliver the government's commitment for 33% of the Department's spend to be with small and medium-sized enterprises by 2020.
- Working in partnership with: the Cabinet Office to deliver ALB transformation plans; Infrastructure and Projects Authority on major projects, programmes and prioritisation; and reducing losses through fraud and error alongside developing a debt management strategy.

Major developments for the year ahead

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Workforce capability

What the Department is doing

Direction, challenges and general digital trends across government

Digital transformation – What the Department is doing

The Department aims to drive economic growth, be a leader in Europe in mobile and broadband connectivity, and increase productivity in the telecommunications and digital sectors across the country – while protecting consumers, businesses and the nation from cybercrime.

The Department will achieve this by:

- exploring the opportunities presented by new technologies like 5G;
- delivering cutting edge broadband and maintaining the UK's communications infrastructure; and
- promoting efficient markets with high levels of consumer confidence and protection.

This will be completed through:

- maintaining a world-class communications and broadband infrastructure;
- promoting the functioning of efficient markets with high levels of consumer protection and confidence;
- improving cross-government working on digital; and
- continuing to support digital infrastructure and superfast broadband roll-out across the country.

What else the Department is doing:

The Department published its **Digital Economy Bill** in July 2016. The Bill aims to:

- empower consumers and provide better digital connectivity;
- build a better digital infrastructure;
- use digital to enable better public services; and
- provide important digital protections for citizens.

The 'Digital skills for the UK Economy' policy paper was published in January 2016. The study examined the demand and supply of digital skills in the UK and the risks of failing to address skills gaps. Its findings will be used to inform the government's digital strategy.



Major developments for the year ahead

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What the Department is doing

Direction, challenges and general digital trends across government

Digital transformation – Direction, challenges and general digital trends across government

Direction and challenges

Continuing pursuit of digital transformation

Many departments continue to pursue digital transformation as a means of meeting savings targets and meeting demand for better services. Transformation, service delivery and ICT projects accounted for over 60% of Government's Major Projects Portfolio in June 2015.

The role of the Government Digital Service (GDS)

GDS continues to grow but has yet to produce a strategy for digital. Its current focus is to continue to develop central initiatives such as GOV.UK publishing and verify identity authentication and to develop common services or 'platforms' to give departments (and thus citizens and businesses) a standard set of common services. The 2015 spending review allocated £450 million to support GDS' role in 'digitising and simplifying government.'

Additional spending up to 2020-21

The 2015 Spending Review identified £1.8 billion in additional funding for digital transformation up to 2020-21, including major new investments in cyber security and cross-government platforms.

General trends in digital across government



Business-wide transformation

Departments are having to think beyond specific projects and consider their longer term operating models and the transformation portfolios and programmes needed to implement them.



Data strategy

Departments will need to improve the internal use of data and exploit new techniques in analytics.



Cyber security and information assurance

As systems open up to the web, departments need to respond to threats from attack and theft and assess the quality of information that may be outside their immediate control.



Legacy systems

Departments will have to address the difficult issues of the old generation of technology and systems.

Workforce capability

Why this subject matters

To ensure standards of public service are maintained, major projects are delivered and cost reductions are sustainable, all departments must progress faster to develop strategic workforce plans that are integral to the way departments function, reflect our diverse society, and ensure they recruit or develop the critical skills they need.¹

Strategic workforce planning – minimising the ‘capability gap’

Like any organisation, government needs to have the right people in the right place at the right time and at the right cost to carry out all that it needs to do. Strategic workforce planning is an ongoing process through which an organisation aligns its workforce – its capability – with its priorities to enable it to meet its legislative, regulatory or service requirements as well as its organisational objectives. Planning in this way helps departments identify whether they have a ‘capability gap’, such as a lack of staff with specialist skills. The NAO’s work to date has found that, in general, departments are weak at strategic workforce planning and departments often lack comprehensive and reliable information on workforce skills.

Diversity, equality and inclusion

A diverse workforce that is made up of individuals with a wide range of characteristics and experiences and creating an inclusive and supportive work environment are vital to improving capability. The civil service needs a working environment in which staff are motivated, feel able to contribute and are confident that their talents will be used, regardless of their background or working style. The approach taken to diversity and inclusion is a sign of a department’s ability to implement workforce reforms.

Use of consultants and temporary staff

Consultants and temporary staff can be an important source of capability for departments that are transforming how they do business. However, they can be twice as expensive as permanent staff. Departments need to use strategic workforce planning to drive down their dependency on consultants and temporary staff.

¹ In 2015-16, the NAO published three cross-government reports relating to workforce capability – *Central government staff costs*, *Diversity, equality, and inclusion in the civil service*, *Use of consultants and temporary staff*. See [Appendix Two](#) for more details.



Departmental sponsored bodies¹

Public bodies within the departmental accounting boundary

Core Department, executive agencies and public broadcasting authorities

[Department for Culture, Media & Sport](#)

[Royal Parks](#)

[BBC](#)

[S4C](#)

Museums and galleries

[British Museum](#)

[Geffrye Museum](#)

[Horniman Public Museum and Public Park Trust](#)

[Imperial War Museum](#)

[National Gallery](#)

[National Museums Liverpool](#)

[National Maritime Museum](#)

[National Portrait Gallery](#)

[Natural History Museum](#)

[Royal Armouries Museum](#)

[Science Museum Group](#)

[Sir John Soane's Museum](#)

[Tate Gallery](#)

[Victoria and Albert Museum](#)

[Wallace Collection](#)

Libraries

[British Library](#)

Arts

[Arts Council England](#)

Architecture and the historic environment

[Historic England](#)

[National Heritage Memorial Fund](#)

[Churches Conservation Trust](#)

Communications

[Ofcom](#)

[PhonepayPlus](#)

Tourism

[British Tourist Authority](#)

Creative industries

[British Film Institute](#)

Sports

[Sports Grounds Safety Authority](#)

[Sport England](#)

[UK Sport](#)

[UK Anti-Doping](#)

Gambling and National Lottery

[Big Lottery Fund](#)

[Gambling Commission](#)

[Horserace Betting Levy Board](#)

Data Protection

[Information Commissioner's Office](#)

Public bodies outside the departmental accounting boundary

Non-ministerial government department

[The National Archives](#)

Public corporations sponsored by the Department

[Channel Four Television Corporation](#)

[Historic Royal Palaces](#)

National Lottery Distribution Fund

[National Lottery Distribution Fund](#)

Committees funded by the Department

Reviewing Committee on the Export of Works of Art

Treasure Valuing Committee

¹ New bodies joining the departmental group in 2016-17 include the National Citizen Service as an arm's-length body and the Charities Commission as a non-ministerial government department.

Relevant National Audit Office publications in 2015-16



[A Short Guide to the Department for Culture, Media & Sport](#), National Audit Office, January 2016

National Audit Office outputs

[Departments' oversight of arm's-length bodies: a comparative study](#) (July 2016)

[BBC World Service](#) (June 2016)

[Management of the BBC's Critical projects](#) (May 2016)

[BBC Television Licence Fee Trust Statement for the year ending 31 March 2016](#) (July 2016)

[Investigation: the government's funding of Kids Company](#) (October 2015)

External reports

[BBC Charter Review](#) (September 2016)

Other reports

[Central government staff costs](#) (June 2015)

[Diversity, equality, and inclusion in the civil service](#) (June 2015)

[Use of consultants and temporary staff](#) (January 2016)

Staff attitudes and engagement

The government has conducted its [Civil Service People Survey](#) annually for the past five years, the most recent being carried out in October 2015.

The results are shown in the figure, the Department saw significant improvements in 2015 over the previous year in all areas apart from one of the nine themes.

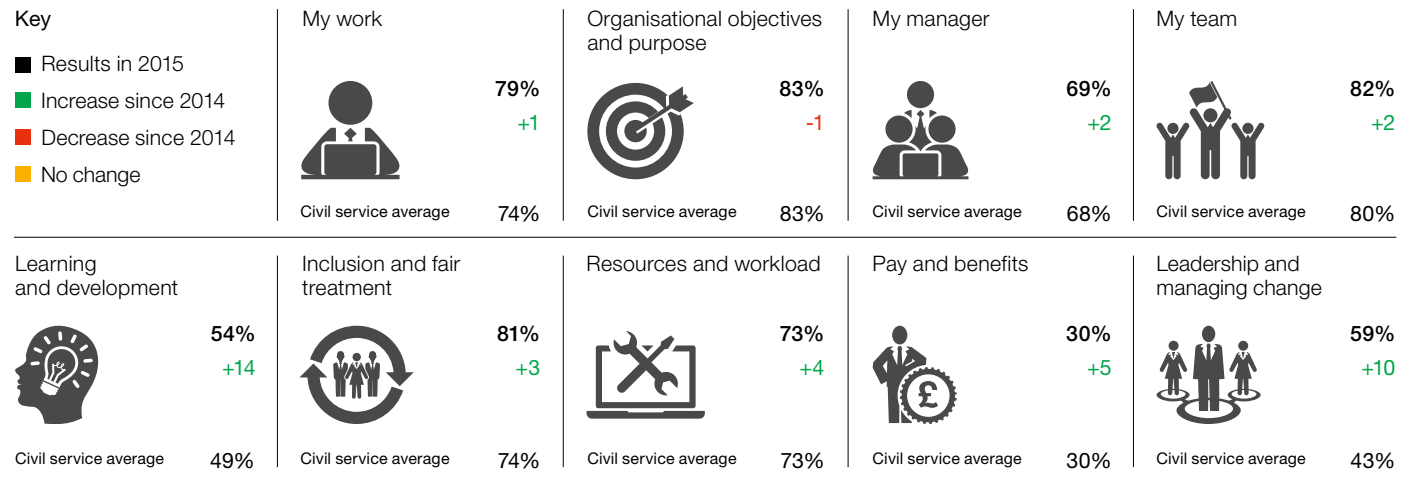
The main measure from the people survey is the employee engagement index, which measures an employee's emotional response to working for their organisation.

The civil service engagement score for 2015 was 58 with the Department score being 66, representing an increase in six percentage points over 2014.

The Department was awarded a special international award in recognition of its achievements in raising staff engagement levels from the global business intelligence firm ORC International.

[Results of DCMS Civil Service People Survey.](#)

Attitudes of staff in 2015 compared with 2014 – Department for Culture, Media & Sport



Engagement index 2015 and 2014



Sources: Civil Service People Survey 2015 and 2014