



National Audit Office

Departmental Overview

The performance of the
Department for Culture,
Media & Sport 2013-14

FEBRUARY 2015

Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

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, which employs some 820 employees. 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 £1.1 billion in 2013.

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Introduction

Aim and scope of this briefing

- 1** The primary purpose of this report is to provide the Culture, Media & Sport Select Committee with a summary of the Department for Culture Media & Sport's activity and performance since April 2013, based primarily on published sources, including the Department's own accounts and the work of the National Audit Office (NAO).
- 2** Part One focuses on the Department's activity over the past year. Part Two examines developments in this Parliament. Part Three concentrates on NAO analyses of activity over the last year.
- 3** The content of the report has been shared with the Department to ensure that the evidence presented is factually accurate.

Part One

About the Department

The Department's responsibilities

1.1 The Department for Culture, Media & Sport (the Department) sets policy on: arts and culture, broadband (including Broadband Delivery UK), ceremonials, creative economy, cultural property, gambling and licensing, heritage, internet (including child online safety), libraries, lottery, media, museums and galleries, sport (including the Olympic and Paralympic legacy), telecommunications, tourism, and women and equalities. The Department is also responsible for the Government Art Collection.

1.2 The Department refreshed its Business Plan in June 2013 to reflect the following 5 Coalition priorities for the Department in 2013–2015:¹

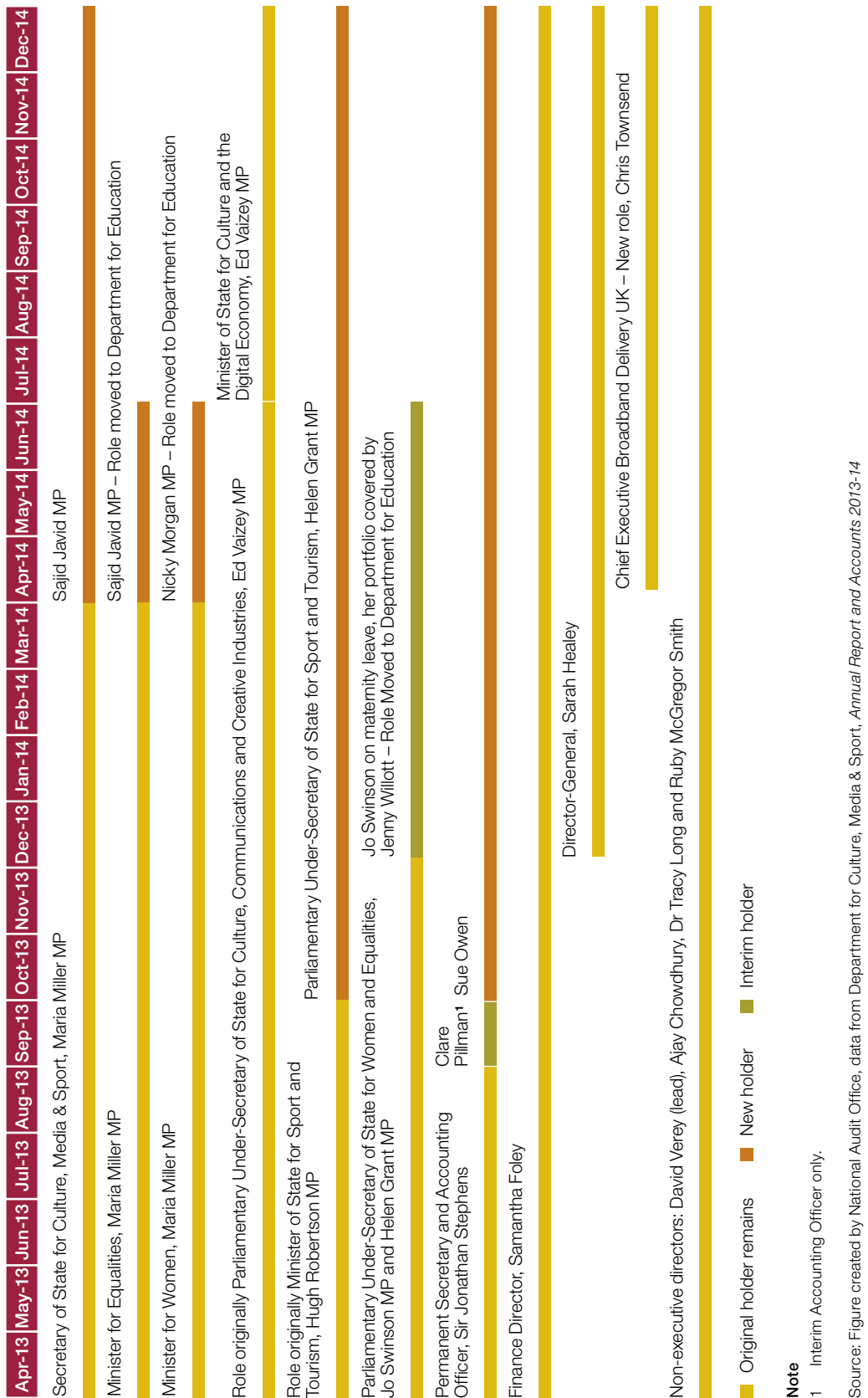
- promote UK growth;
- facilitate the delivery of universal broadband and improved mobile coverage to promote growth;
- market Britain across the world to promote growth;
- create a sporting legacy from the London 2012 Olympic and Paralympic Games; and
- create a fair and equal Britain.

How the Department is organised

1.3 The Department is headed by the Secretary of State for Culture, Media & Sport, who has overall ministerial responsibility for the Department's strategy and policy, and chairs the Departmental board. As at December 2014, the Secretary of State was supported in his ministerial responsibilities by a Minister of State and a Parliamentary Under-Secretary of State. The current structure of the Department is outlined in **Figure 1** overleaf.

¹ Department for Culture, Media & Sport Business Plan. Available at: <http://transparency.number10.gov.uk/business-plan/17>

Figure 1
Timeline of changes since March 2013



1.4 Previously, the Secretary of State was supported by 3 under-secretaries. This number was reduced to 1 in 2013-14 as the role of the Parliamentary Under-Secretary of State for Women and Equalities moved to the Department for Education, and the Parliamentary Under-Secretary of State for Culture, Communications and Creative Industries became the Minister of State for Culture and the Digital Economy. Figure 1 provides further details of these changes and all other movement of senior staff within the Department.

1.5 The role of the Departmental Board is to provide advice and challenge to the Department and its Ministers on strategic and operational issues. Committees of the Departmental board include the Audit and Risk Committee, the Pay Committee and the Departmental sub-board, which was established in September 2014 to support the Departmental board through performance scrutiny, and advise and challenge on operational and delivery issues. The organisation of the Department and responsibilities of the Executive board members are set out in **Figure 2** overleaf.

1.6 The Departmental board is also supported by the Executive board, which provides corporate leadership and is responsible for ensuring the Department is delivering against the Business Plan in support of ministers' objectives. The Executive board's subcommittees include a Corporate Committee (managing resources and infrastructure), a Delivery and Resourcing Committee (providing project/programme assurance and allocation of the resourcing pool) and the Investment Committee (approving and monitoring major capital projects).

Arm's-length bodies

1.7 The Department for Culture, Media & Sport is unusual among government departments for the comparatively small size of its core Department and its emphasis on devolving the delivery of objectives and policy-setting to its wide network of agencies and public bodies in its group.

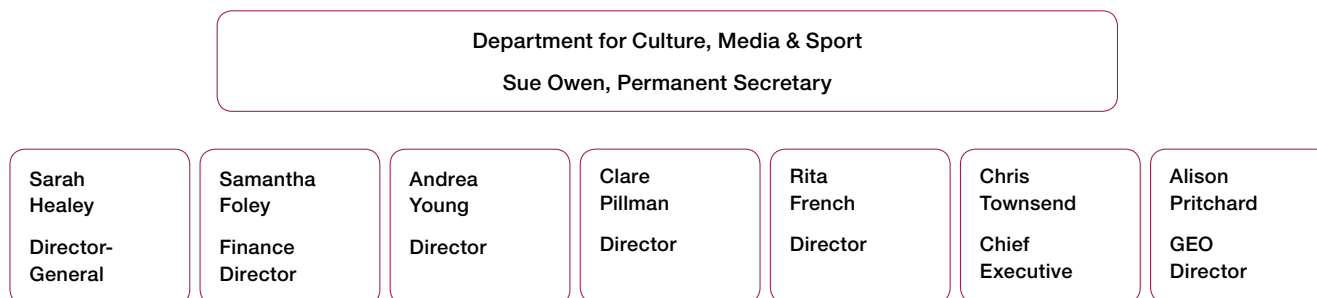
1.8 Many of these bodies operate with a large degree of autonomy and have devolved responsibility for the management of their funds and assets. In 2013-14 the largest recipients of grant-in-aid were the BBC Public Service Broadcasting Group (BBC PSB), Arts Council England (ACE) and the Olympic Delivery Authority (ODA).² For a full list of associated bodies, please see Appendix One.

1.9 The total number of full-time equivalent, on-payroll staff employed by the Departmental group was 31,818. **Figure 3** on page 9 demonstrates the balance of employees within the core Department, compared with those employed within the sponsored bodies.

² Grant-in-aid is a form of funding used where the government has decided, subject to parliamentary controls, that the recipient body should operate at arm's length. The sponsor department does not therefore seek to impose the same detailed controls over day-to-day expenditure as it would over a grant.

Figure 2

How the Department is organised



Source: Figure created by National Audit Office, data from Department for Culture, Media & Sport, *Annual Report and Accounts 2013-14* and www.gov.uk

1.10 In response to an internal audit report on governance in autumn 2013, the Department introduced a new subcommittee, the arm's-length bodies (ALBs) Governance Board. This was established in March 2014 with the aim of providing assurance that risks are being effectively managed across the Department's ALBs and has strategic oversight of the Department's relationship with them.

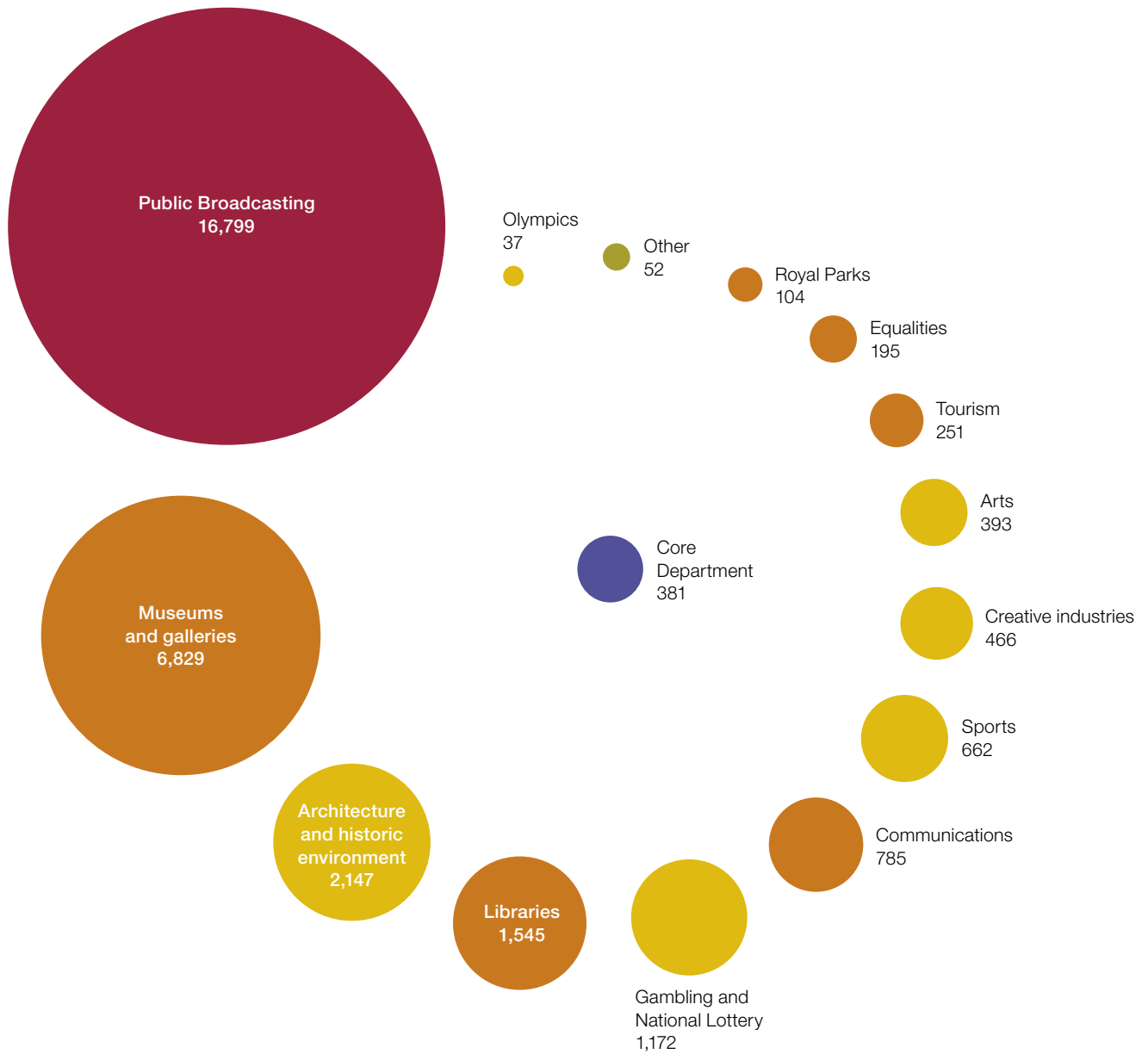
Where the Department and ALBs spends its money

1.11 In 2013-14 the Department provided £4,564 million of grant-in-aid, subsidies and funding to its sponsored bodies, £4,526 million of which was as grant-in-aid. The amount provided was substantially smaller than the prior year, which was £5,430 million in total, of which £4,907 million was grant-in-aid. The 2012-13 grants and subsidies figure included £495 million funding for the London 2012 Olympics through grants to the Home Office and the London Organising Committee of the Olympic and Paralympic Games (LOCOG), which was not repeated in 2013-14. When adjusted to remove the impact of Olympics spending, total funding in 2013-14 was £4,416 million (compared with £4,511 million in 2012-13), of which grant-in-aid represented £4,365 million (£4,469 million in 2012-13). **Figure 4** on page 10 shows the grant funding by sector.

1.12 The largest recipient of grant-in-aid was the BBC PSB. It received £3,101 million to fund its public sector broadcasting activities. This closely matches the £3,114 million of licence fee income it collected and remitted to the Consolidated Fund during 2013-14. The BBC is constitutionally established by a Royal Charter, which gives the ultimate responsibility for "the BBC's stewardship of the licence fee revenue and its other resources" to the BBC Trust. This report is not intended to cover the performance of the BBC. A list of NAO publications, including those relating to the BBC, is included at Appendix Three.

Figure 3

Comparison of number of employees across the Departmental group

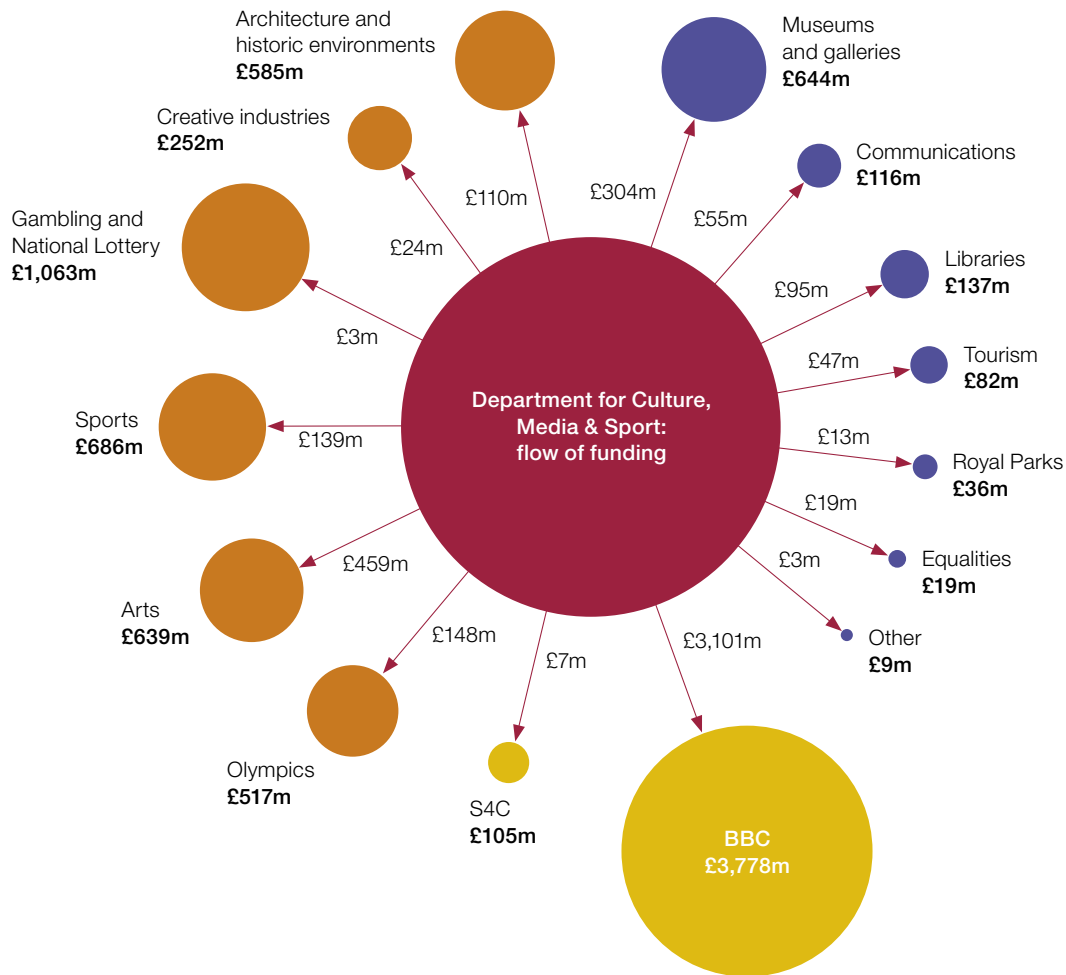


Notes

- 1 The area of the circles is directly proportional to the number of full-time equivalent employees across the Departmental group.
- 2 Please note that any agency, or other off-payroll staff, are not included in this calculation.

Source: 2013-14 financial statements for each body in the Departmental group

Figure 4
Where the Department and ALBs spent money in 2013-14



- Public Broadcasting Authority funded by GIA
- Funded by grant-in-aid and Lottery funds
- Funded primarily by grant-in-aid

Notes

- 1 Red arrows represent grant-in-aid funding.
- 2 Circle area illustrates the magnitude of gross expenditure by sector extracted from individual bodies' 2013-14 financial statements.
- 3 Sponsored bodies have been grouped into sectors according to classification at Appendix One.

Source: National Audit Office produced, data from Department for Culture, Media & Sport, *Annual Report and Accounts 2013-14* and the accounts of the sponsored bodies

1.13 Other significant recipients of grant-in-aid in 2013-14 were the arts and sports sectors, the national museums & galleries, and the post-Olympics programme:

- The arts sector, through ACE, received grant-in-aid of £459 million, which was supplemented by lottery funding of £232 million. ACE promotes, develops and invests in the arts, museums and libraries across the country.
- National museums and galleries received £304 million in grant-in-aid. The largest recipients were the Natural History Museum and the British Museum; these bodies received just under £44 million each. The museums have also benefited from lottery contributions to heritage asset purchases through the Heritage Lottery Fund (HLF). For example, in 2014-15 HLF contributed £6.3 million for the National Portrait Gallery's acquisition of Van Dyck's last self-portrait (1640–1641)³ and has also contributed to the National Maritime Museum's acquisition of 2 George Stubbs paintings, the Kangaroo and the Dingo.⁴
- The sports sector, primarily through Sport England and UK Sport, received grant-in-aid of £139 million, which was supplemented by lottery funding totalling £283 million. Sport England is focused on helping people and communities across the country to create a sporting habit for life. UK Sport is the lead body for investing in high-performance, top-end sport in the UK.
- Following the voluntary liquidation of LOCOG during 2013-14, residual departmental funding relating to the Olympics focused solely on delivery of the Olympics legacy, mainly through the conversion for residential use of the Olympic Village by the ODA. The ODA received £148 million of grant-in-aid in 2013-14 and was dissolved in December 2014.

3 National Portrait Gallery, news release: *National Portrait Gallery and Art Fund 'Save Van Dyck' appeal successful as over £10 million raised thanks to Heritage Lottery Fund Grant of £6.3 million*. Available at: www.npg.org.uk/about/press/news-release-national-portrait-gallery-and-art-fund-save-van-dyck.php

4 National Maritime Museum, *Save our Stubbs!* Available at: www.rmg.co.uk/national-maritime-museum/save-our-stubbs

The Department's assets and liabilities

1.14 At 31 March 2014 the departmental group (including the Lottery bodies and BBC) recognised assets of £11,888 million, including a cash balance of £2,339 million, and liabilities of £6,757 million. Besides working capital, the most significant items on the Consolidated Statement of Financial Position were:

- property, plant and equipment with a net book value of £5,736 million, including land and buildings of £884 million and £3,519 million respectively;⁵
- inventory with a value of £604 million; and
- defined pension benefit net liabilities valued at £1,625 million.

1.15 The museums and galleries remain responsible for maintenance of many of the nation's heritage assets, held to preserve the nation's heritage and maintained for their contribution to knowledge and culture. These consist of historic artefacts and archives, works of art, collection items, historic land and buildings. Heritage assets comprised £1,087 million of the Department's total assets at 31 March 2014.⁶

1.16 In 2013-14 the departmental group acquired heritage assets with a value of £73 million, £12 million of which were acquired by way of donation. Acceptance of items in lieu of inheritance tax resulted in acquisitions of £34 million. In addition, the Department holds a large number of heritage assets that have not been recognised in its Consolidated Statement of Financial Position. This is in line with the requirements of the FReM (Financial Reporting Manual 2013-14), which states that where information on a heritage asset's cost or value is not available, and cannot be obtained at a cost proportionate with the benefits to users of the financial statements, the assets will not be recognised in the Statement of Financial Position.

Staff attitudes

1.17 Continuing our practice in past briefings, we summarise here the views of the Department's staff on a number of key issues, and compare them with benchmarks for the civil service as a whole.

⁵ The property market fluctuates year-on-year, which can have a significant impact on valuations for many of the Department's sponsored bodies, particularly those operating from sought-after locations in central London.

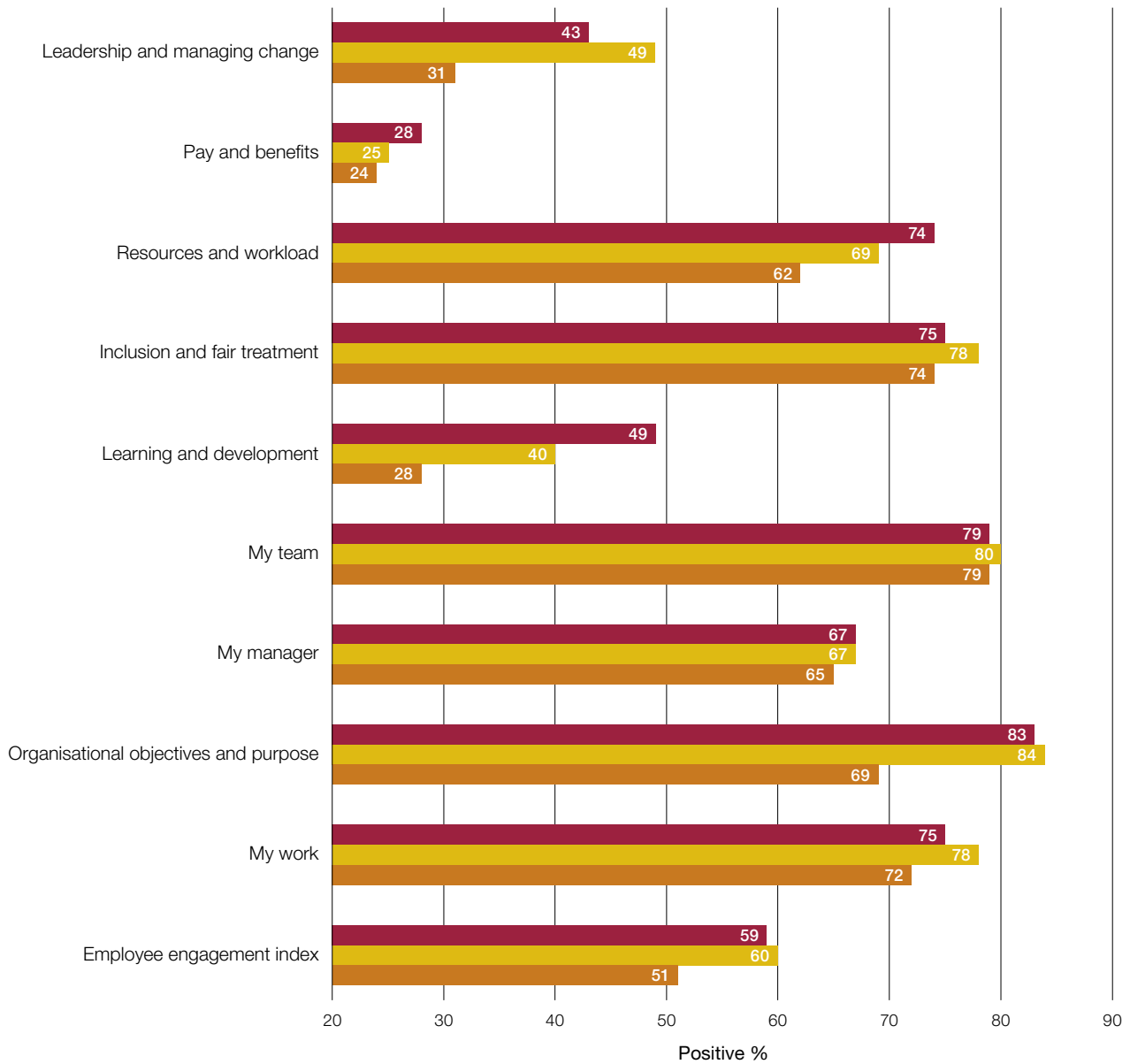
⁶ In accordance with the accounting convention detailed in the FReM heritage assets are recognised as non-current assets at fair value but where exceptionally it is not practicable to obtain a fair value, the heritage assets may be reported at historical cost. For assets owned prior to April 2001, where the cost of valuing a heritage asset is not commensurate with the benefits to users of the financial statements, the assets will not be recognised in the Statement of Financial Position.

1.18 As part of the annual survey, each department receives an engagement index assessing the level of staff engagement determined by the extent to which: staff speak positively of the organisation; are emotionally attached and committed to it; and are motivated to do the best for it. The Department highlighted improvements in rate of participation and overall staff engagement in the Directors' Report in the 2013-14 annual report and accounts.

1.19 Figure 5 overleaf presents the movement from the 2014 results to the most recent results, showing the Department's scores for the 9 themes in the survey. Overall, the Department has seen significant improvement in its scores since the previous year, with an increase in positive responses for all 9 themes in the 2014 results. The Department achieved an engagement index of 60%, an increase of 9 percentage points from 2013 and the greatest increase in engagement index of all government departments. The civil service average has been included to provide context for the Department's performance. Full details can be found at: www.gov.uk/government/publications/civil-service-people-survey-2014-results.

1.20 Figure 6 on page 15 draws out 6 individual questions from the survey to illustrate how staff attitudes in the Department have developed over the period of this government. For each year the Department's results are compared with the civil service average. Improvements can be seen in all areas of the Department's performance and in some cases the gap with the benchmark has been closed.

Figure 5
Attitudes of Departmental staff by theme



- Civil service 2014 average
- Department for Culture, Media & Sport 2014
- Department for Culture, Media & Sport 2013

Note

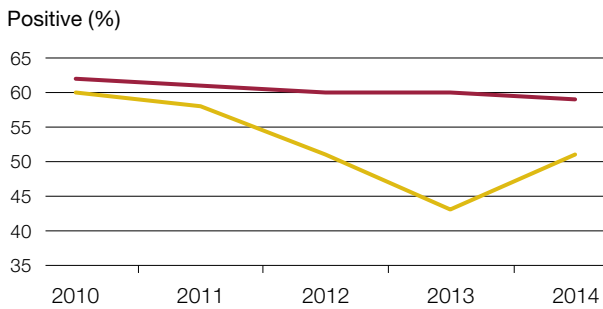
1 This chart represents the average score for the questions asked for each theme category, and the employee engagement index.

Source: Civil Service People Survey 2012, 2013 and 2014. Available at www.gov.uk/government/publications/civil-service-people-survey-2014-results

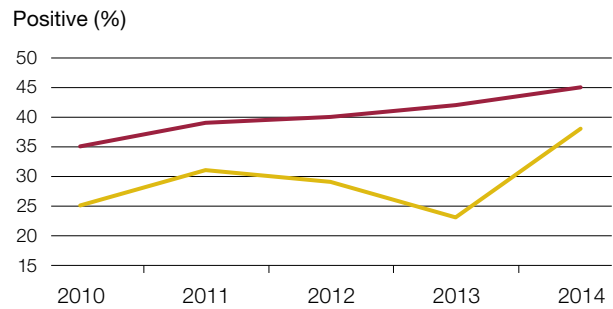
Figure 6

Changes in selected Department and civil service average staff survey results since 2010

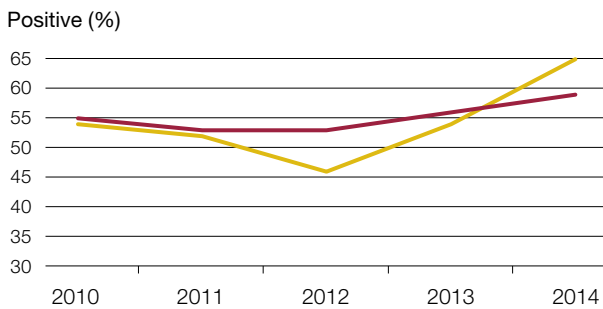
I have an acceptable workload



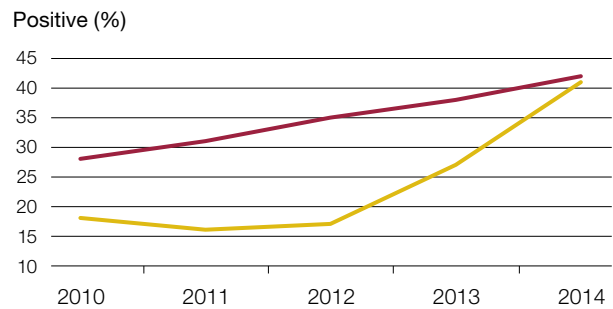
I believe the board has a clear vision for the future of my organisation



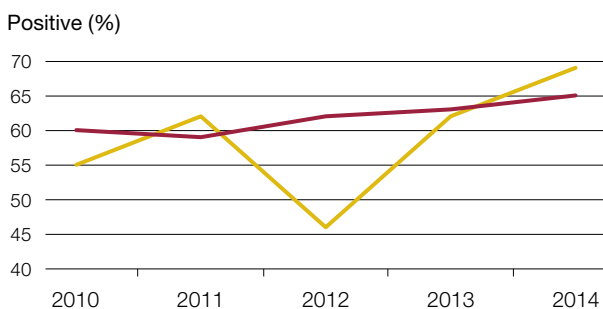
I am proud when I tell others I am part of the Department



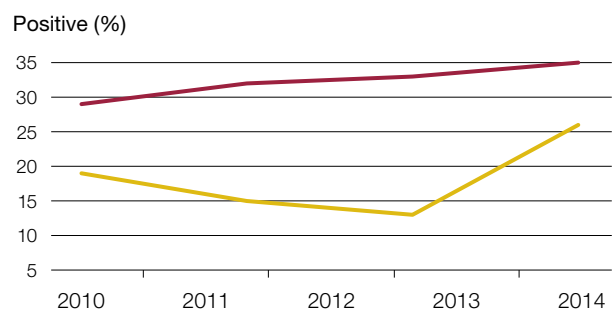
There are opportunities for me to develop my career



I feel valued for the work I do



Where I work, I think effective action has been taken on the results of the last survey



— Civil service average — Department for Culture, Media & Sport

Note

1 These charts represent the year-on-year changes in responses to specific Civil Service People Survey questions over the past 4 years compared with the civil service average.

Source: Civil Service People Survey 2010, 2011, 2012, 2013 and 2014. Available at: www.gov.uk/government/publications/civil-service-people-survey-2014-results

Part Two

Developments in this Parliament

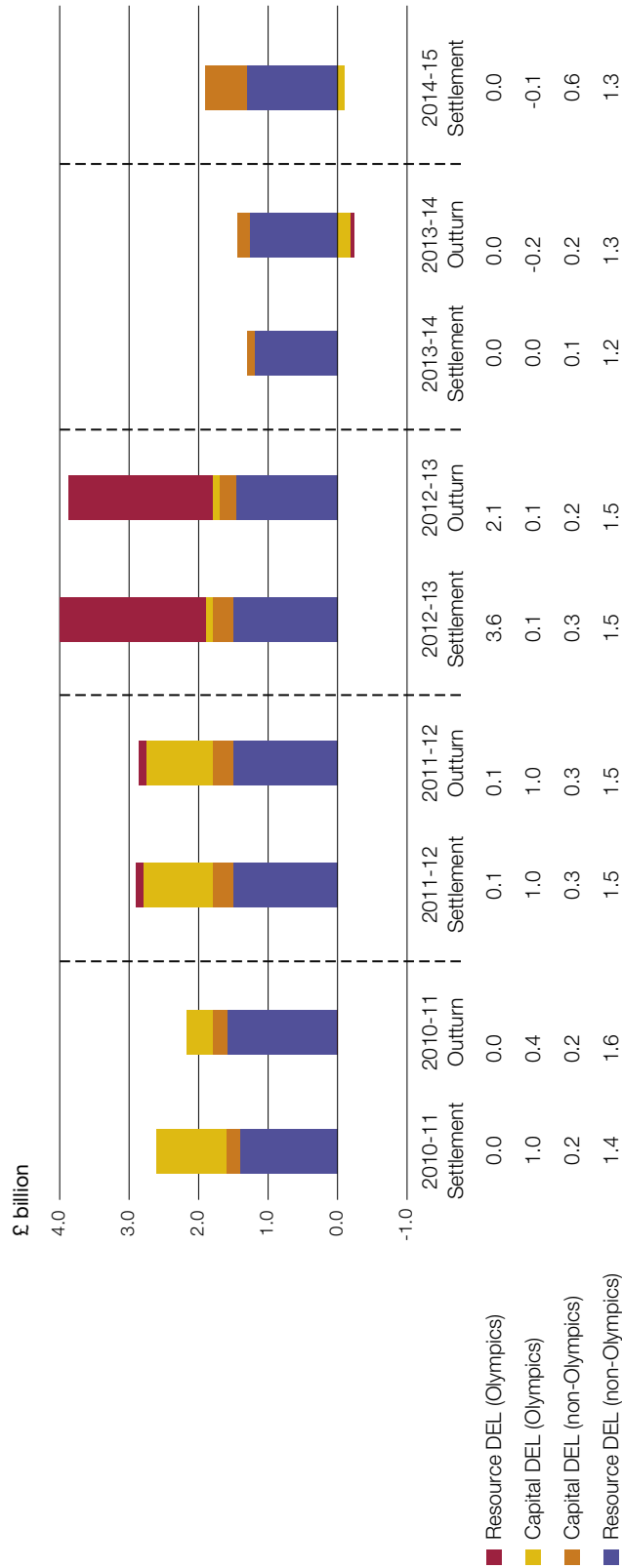
Changes to the Department's spending since 2010

2.1 Spending reviews set departmental spending plans for future years. They set the departmental expenditure limits (DELs) for resource and capital spend within which departments can work.

2.2 The 2010 spending review required the Department for Culture, Media & Sport (the Department) to make real-terms savings in its non-Olympics resource and capital budgets of 24% and 32% respectively by 2014-15. **Figure 7** illustrates the planned change in the Department's resource and capital budgets over the period covered by the 2010 Spending Review (SR), and provides outturns where available. So far, the Department has reduced its non-Olympics resource and capital spending by 20% and 21% respectively from 2010-11 to 2013-14 and is on track to meet the targeted SR savings.

2.3 The Department has made significant reductions in its administration costs within both the core Department and at a Departmental group level. In 2013-14 it reduced its total administration costs by 27% to £153 million, which is consistent with the savings made in the previous year, when administrative costs fell 27% to £209 million. In contrast to the previous year, the 2013-14 savings were not made wholly through reducing employee numbers. The core Department reduced its headcount by 19% to 438 full-time equivalents at 31 March 2013 excluding the 90 full-time equivalents who were transferred from the Home Office during 2012-13. This figure has seen a further decrease of 13% to 381 full-time equivalents as at 31 March 2014.

Figure 7
Department's spending: budget and outturn



Notes

- 1 Figures taken from the 2010 Spending Review, Department for Culture, Media & Sport, *Annual Report and Accounts 2013-14* and supplementary estimates.
- 2 No adjustments have been made in respect of inflation.

Source: National Audit Office interpretation of data presented in Department for Culture, Media & Sport, *Annual Report and Accounts 2013-14*

2.4 Resource savings are also expected from the Department's arm's-length bodies (ALBs). The resource budget for museums and galleries was initially reduced by 15% over the 5-year period to 2014-15 as a result of the 2010 Spending Review, and the resource budgets of most other ALBs were reduced by 24–34% over the same period. In the 2013 spending round, the Chancellor announced an additional reduction in the Department's resource budget for 2015-16. A small number of ALBs, including UK Sport and Visit England, have had their resource budgets for 2015-16 held at the same level as 2014-15, while the museums and galleries, ACE and Sport England have had their reductions limited to 5%. The Department's other ALBs received a 10% reduction. The Chancellor also announced:

- a 5% reduction in the capital budget of the core Department for 2015-16;
- a further reduction in the Department's resource budgets of £13 million in 2014-15 and £12 million in 2015-16. The supplementary estimate for 2014 is due to be released in February 2015;
- a 4-year pilot programme whereby museums and galleries would be given greater operational and financial freedoms; and
- £80 million in funding to English Heritage in 2014-15, £52 million of which is to address conservation defects in the English Heritage National Collection of historic buildings and monuments. The remainder will be invested in new capital projects.

Policy and delivery: major developments since 2010

Cost reduction and ALB body reform

2.5 The Department has taken a number of steps to reduce the number, and therefore cost, of its ALBs and to reform those that continue to exist. In 2012-13 the Department liquidated the UK Film Council (with its functions taken on by the British Film Institute); the Commission for Architecture and the Built Environment, and the Museums, Libraries and Archives Council (with residual functions absorbed by Arts Council England, British Museum and the National Archives). It also completed the reform of the Equality and Human Rights Commission, and reviewed the structure of Sport England and UK Sport. On 1 October 2013 the Department abolished the National Lottery Commission and Public Lending Right, with their functions transferring to the Gambling Commission and the British Library respectively.

2.6 The Department has sought to allow its ALBs to become more financially independent. The increase in financial independence has created greater stability for many of the ALBs; by increasing commercial revenues they are less dependent on government grants, and as such, less susceptible during periods of cuts in governmental spending. This reduces the amount of funding the Department must provide, thereby reducing costs.

2.7 One of the ways the Department has achieved this, in conjunction with HM Treasury, is through implementing ‘financial freedoms’, which provide museums with increased flexibility to manage commercial revenues, philanthropic donations, expenditure and the effect of depreciation on assets (notably where buildings in particularly desirable areas such as central London have seen a significant increase in value band and therefore an increase in the annual depreciation charge). One of the actions resulting from these financial freedoms has been the removal of the 1% limit on pay awards for museums and galleries, to allow them to attract the best talent and expertise. This allows the bodies to make the best commercial decision for each of their individual cases.

2.8 The Department is also overseeing the split of the current English Heritage organisation into two separate bodies.⁷ A new charity will take on full responsibility for running the National Heritage Collection of historic sites and monuments under the terms of a licence agreement. The charity will use £80 million in investment from the Department, plus money raised from third parties, to remedy conservation defects and improve the visitor experience. The charity will continue to receive resource grant-in-aid on a declining basis until 2022-23 when it is expected to become self-sufficient.

Conversion and sale of the Olympic Village

2.9 The conversion and subsequent sale of the Olympic Village to QDD Athletes Village UK Ltd (QDD AVUK) by the Olympic Delivery Authority (ODA) in August 2014 yielded capital receipts of £557.5 million. This is in addition to the £268 million received from the earlier sale of the affordable housing element to Triathlon Homes. The ODA was dissolved in December 2014.

The Superfast Broadband programme

2.10 In December 2010 the Department announced the Rural Broadband programme, a £530 million fund to stimulate private sector investment in broadband technology within rural areas. Before June 2013 the Department’s aim was that, by 2015, 90% of premises in each area of the UK would have access to superfast internet speeds of above 24 megabits per second (Mbps), and all premises would have access to broadband speed of at least 2 Mbps. In June 2013 the Department announced a further £250 million investment to extend coverage to 95% by 2017. In February 2014 the Department announced the areas which would benefit from the additional £250 million, subject to match-funding. This included an extra £12 million that would be made available in order to include more than 100,000 Welsh homes and businesses as an expansion of the original £57 million Superfast Cymru project, one of the projects in the main rollout.⁸ Funding has also been provided to projects in Scotland and Northern Ireland.

⁷ English Heritage, *New Model Proposal: Summary Business Case*. Available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/363589/EH_New_Model_Summary_Business_Case.pdf

⁸ Department for Culture, Media & Sport, Press Release: *Multi-million pound boost taking Superfast Broadband further and faster*. Available at: www.gov.uk/government/news/10m-broadband-fund-winning-bids-announced/, www.gov.uk/government/news/multi-million-pound-boost-taking-superfast-broadband-further-and-faster

2.11 Broadband Delivery UK (BDUK), a unit within the Department, is responsible for delivering the programme. The Department gives grant funding to local bodies, which provide match-funding and procure the infrastructure to provide superfast broadband for their areas.

2.12 Following an NAO report in June 2013⁹ and two Committee of Public Accounts hearings in July 2013 and January 2014,¹⁰ significant concerns were raised about the timetable for delivery and the lack of competition in procurement. The Committee highlighted the fact that contractual constraints have prevented local authorities from publishing the detailed information required for adequate evaluation of the project. The Committee stated that should “significant progress” not be made then a further hearing will be called. In November 2014 the Department published a Broadband Delivery Framework as an aid to the existing BDUK Delivery Programme delivery model, which addresses some of the issue raised at the Committee’s hearings.¹¹ As well as outlining oversight arrangements for the nationwide process for individual bodies, the guide contains information on funding for local authorities, including explanations of how the contracts should be procured, implemented and operated.

2.13 The original project is at an advanced stage and the Department reports that it is on track to meet its target of 95% by 2017. The focus is now on the ‘final 5%’ not covered by existing plans. In June 2014 the Department announced that it was investing an additional £10 million in 8 pilot projects to investigate ways of tackling this issue; these are with 8 different contractors covering 5 different fields of testing. The findings of these tests will be used to inform future funding bids.

Major developments for the year ahead

2.14 The 2014-15 objectives for Sue Owen, the Department’s Permanent Secretary, include delivering 88% superfast broadband coverage by the end of 2015; ensuring 98% 4G mobile coverage by the end of 2015; and completing the equal marriage legislation.¹²

2.15 The Department will also announce the process and timing for the review of the BBC’s Royal Charter in the next Parliament. The Royal Charter is the constitutional basis for the BBC. It sets out the public purposes of the BBC, guarantees its independence, and outlines the duties of the Trust and the BBC Executive Board. The BBC’s current Royal Charter is in force until 31 December 2016.¹³

9 Comptroller and Auditor General, *The rural broadband programme*, Session 2013-14, HC 535, National Audit Office, July 2013. Available at: www.nao.org.uk/report/the-rural-broadband-programme/

10 HC Committee of Public Accounts, *The rural broadband programme*, Fiftieth Report of Session 2013-14, HC 834, April 2014. Available at: www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/news/rural-broadband-report-publication/

11 HM Government, *Broadband Delivery Framework*. Available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/376430/Broadband_Delivery_Framework_Summary.pdf

12 Department for Culture, Media & Sport, *Permanent Secretary Individual Performance Objectives 2014-15*. Available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/329097/Sue_Owen_objectives_2014-15.pdf

13 Department for Culture, Media & Sport, *Broadcasting. Copy of Royal Charter for the Continuation of the British Broadcasting Corporation*. Available at: http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/about/how_we_govern/charter.pdf

2.16 As detailed in our report *Update on the Next-Generation Shared Services strategy*, the core Department is anticipating to join the Arvato Shared Service Centre.¹⁴ The transfer was originally expected to take place towards the end of 2014; however, Arvato have been unable to accommodate this timetable. It is now expected in early 2016.

2.17 In addition, the Department has the following consultations open:

- UK City of Culture (December 2014).
- Lotteries call for evidence (December 2014).

¹⁴ Comptroller and Auditor General, Press Release: *Update on the Next Generation Shared Services Strategy*, March 2014. Available at: www.nao.org.uk/press-releases/update-next-generation-shared-services-strategy/

Part Three

Recent NAO findings on the Department

Our audit of the Department's accounts

3.1 The National Audit Office's (NAO's) financial audits of government departments and associated bodies are primarily conducted to allow the Comptroller and Auditor General (C&AG) to form an opinion of the trueness and fairness of the public accounts. In the course of these audits, the NAO learns a great deal about government bodies' financial management and sometimes this leads to further targeted pieces of work which examine particular issues. In this section, we look at the outcome of our most recent financial audit on the Department for Culture, Media & Sport (the Department) and the bodies it sponsors.

3.2 The C&AG gave an unqualified opinion on the 2013-14 Departmental group accounts on 24 October 2014. Unqualified opinions were also given on the accounts of all Departmental sponsored bodies (those listed at Appendix One).

3.3 Since 2011-12 government departments have been required to produce financial statements in accordance with HM Treasury's Clear Line of Sight project (CLOS). The objective of the project is to simplify financial reporting to Parliament by ensuring that government reports in a more consistent fashion. Under CLOS, the Department is required to consolidate the results of its agency and arm's-length bodies (ALBs) into its group financial statements.

3.4 The Department presented its 2012-13 Annual Report and Accounts to Parliament on 8 November 2013 and its 2013-14 Annual Report and Accounts on 27 October 2014. These dates represent year-on-year improvements of 109 days for 2012-13 and a further 12 days for 2013-14. The Department plans to reduce the timelag between the end of the financial year and the production of its accounts still further for 2014-15. The Secretary of State has written to all ALBs, setting out the Department's intention to certify and lay its accounts before the 2015 summer Parliamentary recess. This proposed timetable represents a further reduction of around 100 days.

3.5 In 2013-14 the Department introduced an ALB Governance Board to strengthen governance and accountability arrangements and to take account of new museum budgetary freedoms. In its governance statement, the Accounting Officer also noted improvements in the effectiveness of the board.

The Department in a cross-government context

3.6 In addition to our work on individual departments, the NAO increasingly looks at performance across government, in order to understand how different departments measure up on important issues. Our report *Forecasting in government to achieve value for money* examined the performance of the Department in the context of the rest of government.¹⁵

3.7 Our report found that poor forecasting is an entrenched problem across government, leading to poor value for money and taxpayers bearing the costs. Where departments have not accurately forecast and have significantly underspent their budget allocation, HM Treasury may allow them to carry forward resource or capital budget to the following year. In 2012-13 HM Treasury allowed departments to carry over a total of £4.4 billion spread over 2 years, some 450% higher than in 2011-12. In 2012-13 the Department underspent its resource DEL budget by 30.8% and its capital DEL budget by 21.3%, with both underspends largely attributable to the Olympics. **Figure 8** overleaf demonstrates the Department's use of budget exchange rules in 2012-13, and highlights its reported underspend in the context of other departments. The report found that the Department tended to over-commit budgets to its ALBs, and increase direct intervention towards the end of the year as outturns became clearer.

3.8 Our work on the Department's 2013-14 Annual Report and Accounts again shows a significant underspend against allocation. The 2013-14 figures show that Departmental outturn for voted and non-voted expenditure, across both resource and capital budgets, was £6,144 million, £914 million lower than the estimate of £7,058 million. This represents an 11% underspend on capital and 12% on resources (2012-13: 23% and 16%).

3.9 The Department explains a number of the significant variances on a line-by-line basis, including:

- BBC resource Annually Managed Expenditure (AME) is £295 million less than the estimate due to savings in centrally controlled costs, delays of some programme activity until future years, and some (BBC) Salford migration costs being re-phased.
- Museums and galleries resource AME has a £333 million underspend primarily due to over-estimation of impairments following the quinquennial revaluation of 2 large London museums, for which a total estimate of £300 million was agreed with HM Treasury and included in the estimate, compared with actual impairment charges of £16 million.
- The voted resource DEL outturn position was £195 million lower than provided in the estimate, principally due to the operational freedoms granted to museums, and efficiencies or forecast variances in the construction and sale arrangements for the Athletes Village on the Olympic Park.
- Underspends on these lines cannot be redeployed for other uses.

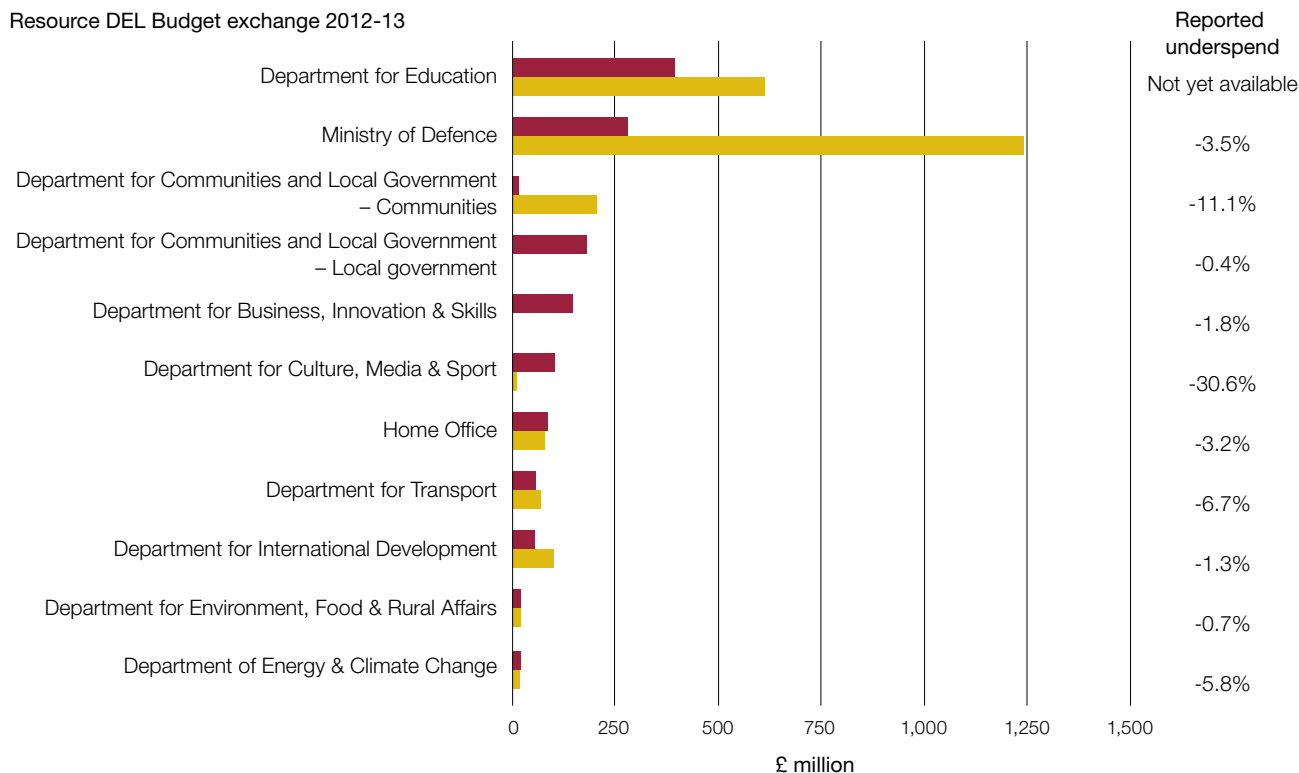
¹⁵ Comptroller and Auditor General, *Forecasting in government to achieve value for money*, Session 2013-14, HC 969, National Audit Office, January 2014.

Figure 8

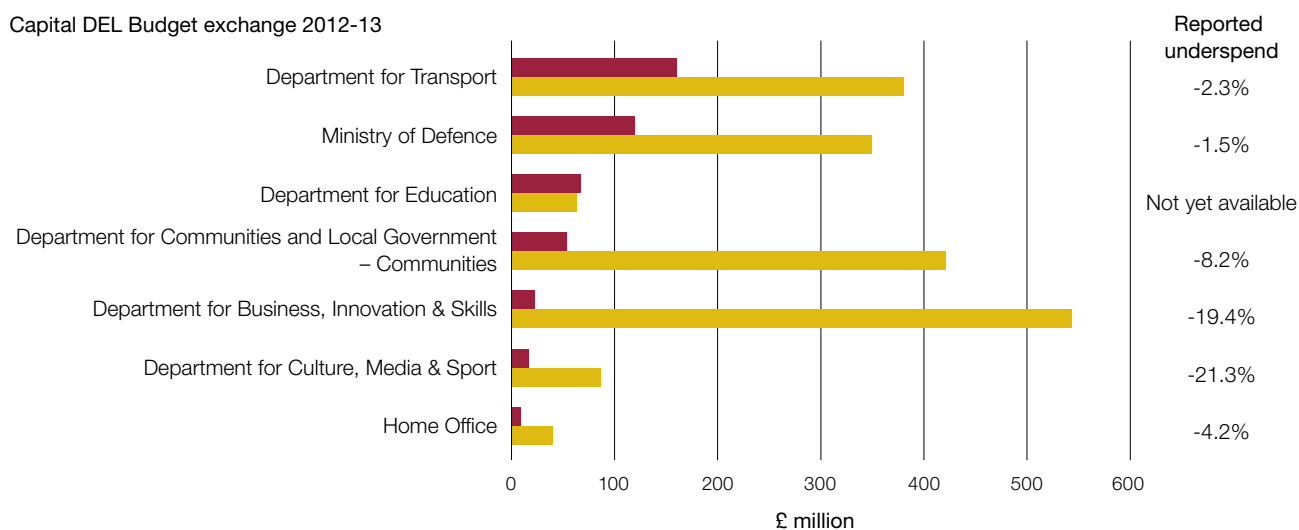
Budget exchange for 2012-13

HM Treasury allowed 5 departments to carry forward more resource DEL, and 6 departments more capital DEL, than allowed under its budget exchange rules

Resource DEL Budget exchange 2012-13



Capital DEL Budget exchange 2012-13



■ Budget exchange limit ■ Budget exchange used

Note

1 Budget exchange limits calculated according to HM Treasury thresholds. Figures are based on voted spend.

Source: National Audit Office analysis of HM Treasury data and departmental accounts

Appendix One

The Department's sponsored bodies during 2013-14

Executive agency

The Royal Parks (TRP) (www.royalparks.org.uk)

Public broadcasting authorities

British Broadcasting Corporation (www.bbc.co.uk)¹

S4C (Sianel Pedwar Cymru) (www.s4c.co.uk)²

Museums and galleries

British Museum (www.britishmuseum.org)

Geffrye Museum (www.geffrye-museum.org.uk)

Horniman Public Museum and Public Park Trust (www.horniman.ac.uk)

Imperial War Museums (www.iwm.org.uk)

National Gallery (www.nationalgallery.org.uk)

National Maritime Museum (www.rmg.co.uk)

National Museums Liverpool (www.liverpoolmuseums.org.uk)

National Portrait Gallery (www.npg.org.uk)

Natural History Museum (www.nhm.ac.uk)

Royal Armouries Museum (www.royalarmouries.org)

Science Museum Group (www.sciencemuseum.org.uk)

Sir John Soane's Museum (www.soane.org)

Tate Gallery (www.tate.org.uk)

Victoria and Albert Museum (www.vam.ac.uk)

Wallace Collection (www.wallacecollection.org)

Olympics

Olympic Delivery Authority (ODA) (www.gov.uk/oda)⁵

Gambling and National Lottery

Big Lottery Fund (www.biglotteryfund.org.uk)⁶

Gambling Commission (GC) (www.gamblingcommission.gov.uk)

Horse Race Betting Levy Board (www.hblb.org.uk)

National Lottery Commission (NLC) (www.natlotcomm.gov.uk)⁷

Libraries

British Library (www.bl.uk)

Public Lending Right (PLR) (www.plr.uk.com)⁸

Arts

Arts Council England (www.artscouncil.org.uk)

Architecture and the historic environment

The Historic Buildings and Monuments Commission for England (English Heritage) (www.english-heritage.org.uk)

National Heritage Memorial Fund (NHMF) (www.nhmf.org.uk) (includes the Heritage Lottery Fund (www.hlf.org.uk))

Communications

Office of Communications (Ofcom) (www.ofcom.org.uk)

Tourism

British Tourist Authority (www.visitbritain.org)

Creative industries

British Film Institute (www.bfi.org.uk)

Sports

Sports Ground Safety Authority (www.safetyatsportsgrounds.org.uk)

English Sport Council (Sport England) (www.sportengland.org)

UK Sports Council (UK Sport) (www.uk sport.gov.uk)

UK Anti-Doping Limited (www.ukad.org.uk)⁴

Equalities

Equality and Human Rights Commission (EHRC) (www.equalityhumanrights.com)

Other arm's-length-bodies

Churches Conservation Trust (www.visitchurches.org.uk)

Bodies excluded from the boundary

The Public Sector Bodies that are outside the Departmental accounting boundary, and for which the Department had lead policy responsibility during the year, are listed below together with their status. More detail can be found in the Public Bodies Directory.

Public corporations sponsored by the Department⁸

Channel 4 Television Corporation

Historic Royal Palaces

Lottery Funds⁹

Olympic Lottery Distribution Fund

National Lottery Distribution Fund

Committees funded by the Department

Reviewing Committee on the Export of Works of Art

Treasure Valuation Committee

Other Departmental bodies

The following bodies receive a grant from the Department:

Chatham Historic Dockyard

Design Museum

Greenwich Foundation for the Old Royal Naval College (ORNC)

National Film and Television School (NFTS)

People's History Museum

Royal Household (RHH)¹⁰

Notes

- 1 The BBC was established by Royal Charter. The Charter and an associated Agreement with Government set out the BBC's accountability to Parliament for use of the public money it receives while at the same time enshrining the BBC's strategic and editorial independence.
- 2 S4C is a statutory corporation, and the Welsh Fourth Channel Authority is responsible for S4C's strategic policy and for ensuring the fulfilment of its statutory functions.
- 3 The PLR was abolished on 1 October 2013 and its functions were transferred to the British Library from that date. The results for the final 6 months of operation are included within these accounts.
- 4 The sole guarantee of £1 is provided by the Secretary of State for Culture, Media & Sport, who is the owner of the £1 issued share capital.
- 5 The ODA ceased operations at the end of 2014.
- 6 Policy responsibility for Big Lottery Fund rests with the Cabinet Office; however, the Department for Culture, Media & Sport fulfils the sponsorship function.
- 7 The NLC and transfer of its functions, property, rights and liabilities to the GC was effective from 1 October 2013. The results for the final 6 months of operation are included within these accounts.
- 8 Public corporations are market bodies that derive more than 50% of their income from the sale of goods and services. They have substantial day-to-day operating independence.
- 9 The Department is responsible for the operation of 2 lottery funds which are separately accounted for and are not consolidated in these Accounts.
- 10 The Department provides funding for the security and upkeep of Marlborough House, a historic royal palace occupied by the Commonwealth Institute.

Source: Department for Culture, Media & Sport, *Annual Report and Accounts 2013-14*

Appendix Two

Publications by the NAO relating to the Department since April 2013 (including BBC)

Publication date	Report title	Web link
21 July 2014	British Broadcasting Corporation Television Licence Fee Trust statement for the year ending 31 March 2014: Section 2 Report	www.tinyurl.com/lktxm64
17 March 2014	Departmental Overview: The performance of the Department for Culture, Media & Sport 2012-13	www.nao.org.uk/wp-content/uploads/2014/03/The-performance-of-the-department-for-culture-media-and-sport-2012-13.pdf
28 January 2014	Memorandum on the BBC's Digital Media Initiative	www.nao.org.uk/wp-content/uploads/2015/01/BBC-Digital-Media-Initiative.pdf
4 September 2013	Severance payments and wider benefits for senior BBC managers: supplementary note	www.nao.org.uk/wp-content/uploads/2013/09/10245-001-BBC-Updated-Severance_NEW_final.pdf
12 August 2013	2012-13 review of the data systems for the Department for Culture, Media & Sport	www.nao.org.uk/wp-content/uploads/2013/07/10229-009_DCMS_Data-summary-sheet.pdf
16 July 2013	British Broadcasting Corporation Television Licence Fee Trust statement for the year ending 31 March 2013: Section 2 Report	www.gov.uk/government/uploads/system/uploads/attachment_data/file/246645/0348.pdf
5 July 2013	The rural broadband programme	www.nao.org.uk/wp-content/uploads/2013/07/10177-001-Rural-Broadband_HC-535-ES.pdf
1 July 2013	Severance and wider benefits for senior BBC managers	www.nao.org.uk/wp-content/uploads/2013/07/10193-001_BBC_BOOK.pdf
14 May 2013	The BBC's move to Salford	www.nao.org.uk/wp-content/uploads/2013/05/10143-001_The-BBCs-move-to-Salford.pdf

Appendix Three

Cross-government reports that may be of interest to the Department

Publication date	Report title	HC Number	Parliamentary session
October 2014	Delivering value and accountability – CIMA and NAO expert panel report	www.nao.org.uk/wp-content/uploads/2014/10/Delivering-value-and-accountability3.pdf	
10 September 2014	Update on the National Cyber Security Programme	HC 626	2014-15
4 September 2014	Transforming government's contract management	HC 269	2014-15
3 July 2014	Government grant services	HC 472	2013-14
31 March 2014	Update on the Next-Generation Shared Services Strategy	HC 1101	2013-14
18 March 2014	Making a whistleblowing policy work	HC 1152	2013-14
7 February 2014	Progress on public bodies reform	HC 1048	2013-14
31 January 2014	Forecasting in government to achieve value for money	HC 969	2013-14
15 January 2014	Government whistleblowing policies	www.nao.org.uk/wp-content/uploads/2014/01/Government-whistleblowing-policies.pdf	

Where to find out more

The National Audit Office website is
www.nao.org.uk

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