



The Public Record Office

Resource accounts 2002/2003

The National Archives

A Government Department and Executive Agency

Foreword to the accounts

for the year ended 31 March 2003

Background information

The Public Record Office (PRO) is a government department in its own right established under the Public Records Acts of 1958 and 1967, and the Chief Executive, the Keeper of Public Records, reports directly to the Lord Chancellor. The PRO became an executive agency on 1 April 1992 and is funded by a request for resources from Parliament.

From April 2003, the PRO joined together with the Historical Manuscripts Commission (HMC) to form a new body, The National Archives. The National Archives administers the public records system of the United Kingdom under the Public Records Acts of 1958 and 1967 and exercises the powers accorded to the Historical Manuscripts Commission by the Royal Warrant of 1959. We advise government on public record issues and related information matters.

Aims

For the year under review the aims of the PRO were:

- to assist and promote the study of the past through the public records in order to inform the present and the future;
- to advise government on public record issues and related records management and information policy matters.

Objectives

For the year under review the objectives of the PRO were:

- **Records Management and Selection:** Overseeing management of records in government to support its business; selecting and acquiring public records of enduring historical value for public access.
- **Preservation:** Preserving the selected public records permanently so that present and future generations can have access to them.

- **Access:**

Providing online and onsite access to the public records and promoting their value and use as a national information and educational resource.

Management and structure

During the year under review three groups carried out the PRO's functions and duties:

The **Public Services Group** was responsible for making the records available to the public, both electronically on the Internet and on site. The directorate was responsible for the PRO's web site, catalogues, digitisation programme and e-learning initiatives. It provided expert advice and other services to readers and remote users (including record copying, education, publicity and marketing services, publishing, retailing and income-earning activities), provided expert knowledge about the records through the creation and refinement of traditional and electronic finding aids; promoted the work of the Public Record Office and advised the Lord Chancellor on issues of public access.

The **Government and Archival Group** was responsible for overseeing the management of current records in government, with emphasis on helping Departments prepare for electronic records management. It guided and supervised government departments and other public record bodies in the selection and transfer of records to the Public Record Office or other suitable archives and then preserving those records by ensuring that they are maintained and stored in good order. The directorate developed special provisions for selecting and preserving electronic records; dealt with relevant aspects of government information policy and advised the Lord Chancellor on the records system in general and specifically on variations to the thirty year rule. The directorate also liaised with other record offices designated as places of deposit for public records.

The **Corporate Services Group** ensured the efficient, effective and proper use of the PRO's financial, staff and other resources. It was responsible for essential support services. These included the functions of Finance, Personnel and Development, Procurement, Training and Internal Audit, and the maintenance and development of the Information and Communications infrastructure.

Security and the general management of the estate and of its facilities were also the responsibility of this directorate. All of these functions were in support of the PRO in meeting its business and corporate objectives.

Departmental report

The PRO departmental report was presented to Parliament as part of *The Lord Chancellor's Departments – Departmental Report*. It described progress in meeting strategic objectives and looked forward to the spending plans of the next three years. The report was published in May 2003 (CM 5910).

Pension liabilities

Present and past employees are covered by the provisions of the Civil Service pension arrangements. These are explained in detail in note 2 to the accounts. Benefit expenditure for Civil Service pensions is borne on the Civil Superannuation Vote. Where the National Archives bears the cost of pension provision for staff, it is by the payment of an annual accruing superannuation charge. The charge is shown under "Other pension costs" in note 2 to the accounts.

Employment policy

The National Archives is committed to equality of opportunity for all. Policies are in place to guard against discrimination and to ensure that there are no unfair or illegal barriers to employment or advancement within the National Archives. Suitability for employment is based on qualifications and eligibility of individuals irrespective of race, age, gender, marital status, disability or sexual orientation. The National Archives follows the Civil Service Code of Practice on the Employment of Disabled People, which aims to ensure that there is no discrimination on the grounds of disability. At the end of 2002/03 there were 534 PRO employees (503 full time equivalents) of whom 235 (44%) were women, 18 (3.4%) would be recognised as disabled in the context of the Disability Discrimination Act 1995 and 83 (16.5%) were from ethnic minorities. The National Archives through its senior managers meets regularly with staff and Trades Union representatives in a wide spectrum of areas, including Whitley Council, Health

& Safety Committees and link groups. The National Archives provides a welfare service for its employees.

Statement of payment practice

The National Archives operates a policy of paying within 30 days of receipt of goods and services, or the invoice, whichever is the later. In 2002-03, 99% by the PRO were paid within agreed credit periods.

Preparation of the accounts

The accounts are prepared in accordance with the direction given by the Treasury in pursuance of section 5(2) of the Government Resources and Accounts Act 2000.

Financial Control

The PRO is funded through the Supply Estimates. These are the means by which Government seeks authority from Parliament for its own spending each year. The PRO net resource outturn for which authority was sought and approved through the Supply Estimates was £39.038m. The actual outturn for the financial year was £34.666m, a saving of £4.372m. The cash requirement of the Office is projected on a monthly basis. The Office liaises with Her Majesty's Treasury to enable these funds to be made available through the Paymaster General's Office, which is the Office's main banking facility. The Office also maintains facilities with the National Westminster Bank to clear retail transactions through to the PGO and also arranges for electronic transactions (debit and credit cards) to be collected on behalf of the Office by Nat West Streamline.

Capital expenditure, administration costs and income are monitored and reported monthly to the Management Board, which considers and agrees actions to be taken as appropriate.

Audit

The financial statements have been audited by the National Audit Office on behalf of the Comptroller and Auditor General.

Review of activities

The main activities during the year were:

- re-launching the 1901 census website to the public on the Internet in August 2002
- the further development of access to digital images of wills and other records through PRO On-line (relaunched in April 2003 as DocumentsOnline)
- enhancements to the online catalogue (PROCAT) and the launch of the Library catalogue on the Internet
- enhancements to the online and onsite Education Services increasing their take-up by 70% and 33% respectively
- the completion of the project to microfilm WW1 Soldiers service records, funded by the Heritage Lottery Fund
- the completion of two 'Pathways to the Past' online exhibitions funded by the New Opportunities Fund (NOF)
- the further development of the Access to Archives (A2A) programme, the creation of a virtual archive catalogue for England
- the launch of the 'Moving Here' online exhibition relating to the immigration experience, funded by a grant by NOF
- the development of three Pathways to the Past online exhibitions funded by NOF
- implementing a storage system for electronic records selected for permanent preservation
- release of all official papers relating to the abdication of King Edward VIII
- the continuation of work towards the achievement of the cross-government target for Departments to introduce electronic management systems for their digital records by 2004.

Future activities

Future activities to include:

- the creation of The National Archives in April 2003
- enhancements to and streamlining of onsite public services including launching the HMC services at Kew
- the opening of newly refurbished National Archives Museum
- a major role in Archive Awareness Month (September 2003)
- continuing developments of standards for records management across government
- finalising work towards the achievement of the cross-government target for Departments to introduce electronic management systems for their digital records by 2004
- further developing the National Archive's digital preservation strategy for electronic records
- continuing preparation for the implementation of the Freedom of Information Act 2000 with its expected implementation in 2005
- the completion of a third NOF funded 'Pathways to the Past' online exhibition
- finishing work on making available digital images of the censuses, wills from 1700 to 1820, and the minutes and memoranda of the Cabinet and Chiefs of Staff from 1971
- completing the development of the National Archive's (internal) Electronic Records Management (ERM) system.

In 2002-03 the members of the Management Board were

Mrs. Sarah Tyacke
Keeper of Public Records

Dr. Elizabeth Hallam Smith
Director of Public Services

Mrs. W. Jones
Director of Corporate Services

Dr. Duncan Simpson
Director of Government and Archival Services
(to 31 August 2002)

Dr. David Thomas
Head of e-Access (to 31 August 2002) then
Director of Government and Archiving Services

Mr. Chris Cooper
Head of Reader Information Services

Miss. Elizabeth Honer
Head of Records Management (to 27 June 2002)

Dr. David Leitch
Head of Central Management

Mr. David Ryan
Head of Archiving Services

Ms. Meg Sweet
Head of Records Management
(from 12 September 2002)

Mrs. Alison Webster
Head of e-Access (from 22 August 2002)

Mr. Nick Worrall
Head of Financial Services

Ms. S. Coutu
Non-executive member (to 17 October 2002)

Mr. Barry Glassberg
Non-executive member

Mr. Meyrick Vevers
Non-executive member (from 20 March 2003)

Mrs. Sarah Tyacke was appointed in December 1991 by competitive recruitment as Keeper of Public Records by the Lord Chancellor. Her contract expires on 31 March 2004, but it can also be terminated under the standard procedures of the Civil Service Management Code. Her salary is determined by the Lord Chancellor.

The Directors, Dr. Elizabeth Hallam-Smith, Mrs. W. Jones, Dr. Duncan Simpson and Dr. David Thomas were appointed by competitive recruitment. They are permanent employees and are members of the Senior Civil Service. Their salaries are determined by reference to the Senior Salaries Review Body. Procedures for termination are as set out in the Civil Service Management Code.

The other members of the Management Board (excluding the non-executive directors) were all appointed by competitive recruitment. They are permanent employees. The determination of their salaries is through a locally negotiated scheme to which all National Archives employees, other than the Keeper and Directors, are subject. These Management Board members have standard contracts of employment and the termination of their employment is governed by employment law.

Details of the remuneration for the Keeper and Directors are shown in note 2 to the accounts.

Events since the end of the financial year

As noted above, from April 2003 the PRO joined together with the Historical Manuscripts Commission (HMC) to form a new body, The National Archives.



Sarah Tyacke
Accounting Officer

11 July 2003

Statement of Accounting Officer's responsibilities

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

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

The Treasury has appointed the Keeper as Accounting Officer of the Public Record Office with responsibility for preparing the Public Record Office's accounts and for transmitting them to the Comptroller and Auditor General.

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

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Resource Accounting Manual*, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on the going-concern basis.

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

Statement on the System of Internal Control 2002/03

1. Scope of Responsibility

1.1 As Accounting Officer, I have responsibility for maintaining a sound system of internal control which supports the achievement of PRO policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

2. The Purpose of the System of Internal Control

2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. Capacity to Handle Risk

3.1 Strategic leadership on risk management issues comes from the Management Board and the Audit Committee. Both are able to draw on the expertise of non-executive members with experience of the private sector and other government bodies.

3.2 The Audit Committee acts in an advisory capacity. It takes an overview of the entire risk management framework. In 2002/03 we reviewed the format of meetings, ensuring a sharper focus on governance and risk management issues. Further review will take place in 2003/04, considering the structure of the Committee and development/training for members. Following on from this we will issue a handbook to guide members in their roles and responsibilities.

3.3 A number of workshops and seminars have been used to give senior and middle management an understanding of governance processes. In 2003/04 we will introduce a risk management training module and ensure that more staff (particularly junior managers) are equipped with skills and an understanding of corporate governance. We have introduced departmental risk registers in 2002/03, and seek to make these as accessible as possible, with staff at all levels able to contribute to the identification and evaluation of risk.

3.4 One of the non-executive Audit Committee members led a session for managers with responsibility for key areas of risk. One of the main themes of the event was the communication of risk management information. A number of ideas will be developed in the course of 2003/04, including initiatives to demonstrate a closer link between planning processes and the identification of risk.

4. The Risk Environment

4.1 The PRO embraces the principles and requirements of good corporate governance. The culture of the organisation supports responsible risk taking. There is a risk management framework which illustrates the various roles and communication responsibilities that individuals/ departments/committees have with regard to corporate governance.

4.2 At a strategic level, management of risk is embedded in the planning and policy making of the organisation. The Management Board has identified a number of priority areas for discussion. Apart from the regular financial/resource/planning issues, Management Board time is focused on items which:

- are of wider significance to key stakeholders/ customers;
- involve the commitment of staff and resources across the organisation;
- are connected to wider political, EU and international questions;
- relate to an innovative project or a new way of carrying out a business activity; or
- have major implications for the structure and culture of the National Archives.

4.3 The high level corporate risk register is considered by the Management Board on a quarterly basis. This provides information on 11 strategic risks (an additional risk relating to Freedom of Information legislation was added in the course of 2002/03). Changes in the level/impact of all key risks are clearly identified. At lower levels there are risk registers for programmes/projects/departments which assess the risks relating to targets and assign responsibilities.

4.4 In 2003/04 we will draw on the conclusions of the Strategy Unit Report on "Risk: Improving government's capability to handle risk and uncertainty", and ensure that systems reflect any guidance produced by the Treasury's Risk Support Team.

4.5 As our buildings are open to the public, we have particular regard to the safety and security of the public on site. The environment, facilities, equipment, and emergency procedures are subject to regular review.

5. Review of Effectiveness

5.1 As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by:

- the work of the **internal auditors**. The Internal Audit Department follows Government Internal Audit Standards and HM Treasury's Good Practice Guidance. The Head of Internal Audit provides a formal, independent and objective opinion on risk management, control and governance. In addition to the formal annual report there are arrangements for interim reporting to the Audit Committee in the course of the year. Such interim reports address emerging issues in respect of the whole range of areas to be covered in the formal annual report;
- a formal **assurance process** for managers with responsibility for development and maintenance of the internal control framework. This provides detail on the steps taken to guard against the key risks identified in the corporate risk register;
- the twice yearly **stewardship reporting** by heads of department. They are asked to assess the areas they are responsible for and rate aspects of

control. The Audit Committee is presented with an analysis of the statements, which includes information on all aspects of control that have been given a rating to indicate a need for further action;

- the **Gateway Review** process. We are developing systems to ensure that information on trends and items of particular concern are raised at Audit Committee meetings;
- advice from the **Audit Committee** on the promotion of corporate governance, the evaluation of the risk management framework, and internal/external audit matters;
- advice from the **Management Board**. We have refocused the agenda of the Management Board so that there is sufficient time for discussion of high risk items; and
- comments made by the **external auditors** in their management letters and other reports.

5.2 During the course of 2002/03 we have enhanced existing risk management procedures and introduced a number of additional ones. My review of effectiveness also ensures that there is continuous improvement of the system of internal control. I am confident that all key corporate governance processes were in place by the end of March 2003. At the end of 2003/04 I will be able to complete a statement that confirms that these processes have been in place for the full year.

6. Significant Risk Management Issues in 2002/03

6.1 In the early part of the year the PRO dealt with a range of issues linked to our project to make 1901 Census data available on the internet. Our contractor's website was not sufficiently robust to cope with the volume of interest. By August we agreed that the site could be made available to the public on a test basis. Some problems persisted and the site was intermittently unavailable. As these problems were resolved we extended access, and achieved a full service with 24 hour access in November 2002. We faced a number of contractual, project and reputational risks during this period. The lessons learned from this experience will be applied to future plans.

6.2 During the course of 2002/03 we have worked to improve our position with regards to central government targets for electronic records management (ERM). At the start of the year we were aware that we had to replan our internal ERM project. We have now successfully undergone an OGC Gateway 3 review. We are now satisfied that we will be successful in rolling out the new ERM system across the organisation by the end of 2003.

6.3 During the course of 2002/03 we have established systems to plan for and coordinate the creation of The National Archives. This has involved the introduction of a communications plan (which includes all stakeholders), review of policies and procedures, liaison with the Lord Chancellor's Department and Treasury Solicitor's Department regarding legal arrangements, and providing the Management Board and senior management from the Historic Manuscripts Commission with an overview of progress and risk.

6.4 In October 2002 we established a Project Support Office (PSO). We aim to develop this as a centre of excellence for project management disciplines. It is vital that we have high standards of project management; particularly as IT systems become more complex, electronic traffic increases, and dependencies between systems need to be developed and managed effectively. The PSO is also used to coordinate Gateway Reviews throughout the Office, and selected staff have been specifically trained in the application of this review process.

6.5 We have started to assess the risks associated with our overall programme of work on the IT infrastructure. The aim is to direct resources to the most critical areas which will impact on the delivery of business/strategic objectives. We will be addressing our technical infrastructure as to how it not only meets our current requirements but also those of the future.

6.6 We are reassessing our approach to contingency planning. This has included a visit to the National Library in Prague to learn about recovery methods from last year's flood disaster. We have also introduced new bomb procedures, and provided an additional base for relaying messages in the event of the control room being out of action. Further work to revise procedures will take place in 2003/04.

6.7 During the year we reviewed the programme for implementation of FOI projects to ensure preparedness for the government's 2005 target. As a result we restructured the programme of activity and re-focused the various projects across the office.

6.8 We face a number of issues relating to accommodation at Kew and how we develop our public services whilst accommodating staff and functions. A further dimension is added with the physical integration of the Historic Manuscripts Commission due to take place later in 2003. During the year we have assessed the risks and problems associated with space deployment. We commissioned an audit of our space requirements in the near, medium and long term. This has provided a strategic framework which integrates the various key elements, and recognises critical dependencies and timescales. We now have a long-term plan, the first phase of implementation will begin in 2003/04.



Sarah Tyacke
Keeper of Public Records
Chief Executive and Accounting Officer

11 July 2003

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

I certify that I have audited the financial statements on pages 71 to 90 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 77 to 78.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 65, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Public Record Office has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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

I review whether the statement on pages 66 to 68 reflects the compliance of the Public Record Office with Treasury's guidance entitled 'Corporate Governance: Statement on Internal Control'. I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of audit opinion

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

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Public Record Office at 31 March 2003 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by the Treasury; and
- in all material respects the income and expenditure have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn

Comptroller and Auditor General
14 July 2003

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Schedule 1

Summary of Resources Outturn 2002-03

	Note	2002-03						Net total outturn compared with Estimate saving/(excess)	2001-02 Prior-year Outturn
		Estimate			Outturn				
		Gross expenditure 1 £000	A in A 2 £000	NET TOTAL 3 £000	Gross expenditure 4 £000	A in A 5 £000	NET TOTAL 6 £000		
Request for Resources 1	4 & 7	42,638	(3,600)	39,038	38,266	(3,600)	34,666	4,372	31,076
Total Resources		42,638	(3,600)	39,038	38,266	(3,600)	34,666	4,372	31,076
Non-Operating-Cost A in A		0	0	0	0	0	0	0	0
Net Cash Requirement				31,250			27,827	3,423	22,671
Reconciliation of Resources to Cash Requirement									
	Note		£000				£000	£000	£000
Net Total Resources			39,038				34,666	4,372	31,076
Capital:									
Cash purchase of fixed assets	8, 9 & 10		3,360				2,230	1,130	1,324
Non-Operating-Cost A in A			0				0	0	0
Net book value of fixed asset disposals			0				(6)	6	(37)
Accrual adjustments									
Non-cash items			3 (11,648)				(9,715)	(1,933)	(9,804)
Changes in working capital other than cash	11		500				455	45	41
Changes in creditors falling due after more than one year									
Use of provision			16	0			197	(197)	71
Net Cash Requirement (Schedule 4)			31,250				27,827	3,423	22,671

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

The variation is the result of re-scheduling budgeted expenditure for the electronic service delivery programme and the electronic records management programme. The updated forecast for the PRO, in respect of the related Government targets for 2004 and 2005, is that they will be met in full.

B Explanation of the variation between Estimate net cash requirement and Outturn net cash requirement

This variation is partly related to the variation in net total resources above, but also relates to some payments anticipated in March which were not invoiced until April.

Schedule 1 (continued)

C Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Note	2002-03 Forecast		2002-03 Outturn	
		Income £000	Receipts £000	Income £000	Receipts £000
Operating income and receipts – excess A in A	4	–	–	<i>578</i>	<i>578</i>
Non-operating income and receipts – excess A in A		–	–	–	–
Subtotal		–	–	<i>578</i>	<i>578</i>
Other operating income and receipts not classified as A in A		–	–	–	–
Other non-operating income and receipts not classified as A in A		–	–	–	–
Total		0	0	<i>578</i>	<i>578</i>

D Actual outturn – resources

Request for resources 1: Net total outturn £34,665,871.92

Actual amount of saving compared with Estimate £4,372,128.08

E Actual outturn – cash

Net cash requirement: Outturn net cash requirement £27,827,005.46
which is £3,422,994.54 less than the Estimate.

F The actual receipts surrenderable to the Consolidated Fund are £577,780.92

The notes on pages 77 to 90 form part of these accounts.

Schedule 2

OPERATING COST STATEMENT

for the year ended 31 March 2003

	Note	2002-03 £000	2001-02 £000
Administration Costs			
Staff costs	2	13,676	11,823
Other administration costs	3	24,590	23,770
Gross Administration Costs		38,266	35,593
Operating income	4	(4,178)	(4,517)
Net Administration Costs		34,088	31,076
Net Operating Cost	6	34,088	31,076
Net Resource Outturn	7	34,666	31,076
All income and expenditure are derived from continuing operations.			
Statement of Recognised Gains and Losses for the year ended 31 March 2003			
		2002-03 £000	2001-02 £000
Net gain on revaluation of tangible fixed assets	18	2,210	3,106
Prior year adjustment		0	5,539
Total recognised gains and losses for the financial year		2,210	8,645

The notes on pages 77 to 90 form part of these accounts.

Schedule 3

BALANCE SHEET

as at 31 March 2003

	Note	31 March 2003		31 March 2002	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	9	93,148		92,661	
Intangible assets	10	87		53	
			93,235		92,714
Debtors falling due after more than one year	13		46		76
Current Assets					
Stocks	12	332		351	
Debtors	13	2,071		1,283	
Cash at bank and in hand	14	2,183		1,514	
		4,586		3,148	
Creditors (amounts falling due within one year)	15	(3,639)		(2,688)	
Net Current Assets			947		460
<hr/>					
Total Assets less Current Liabilities			94,228		93,250
Provisions for Liabilities and Charges	16		(401)		(235)
			93,827		93,015
Taxpayers' Equity					
General fund	17		79,860		80,775
Revaluation reserve	18		13,967		12,240
			93,827		93,015

The notes on pages 77 to 90 form part of these accounts.

Sarah Tyacke

Sarah Tyacke
Accounting Officer

11 July 2003

Schedule 4

CASH FLOW STATEMENT

for the year ended 31 March 2003

	Note	2002-03 £000	2001-02 £000
Net cash outflow from operating activities (<i>Note a</i>)		(25,021)	(21,456)
Capital expenditure and financial investment (<i>Note b</i>)		(2,230)	(1,324)
Payments of amounts due to the Consolidated Fund		0	(233)
Financing (<i>Note c</i>)		27,920	23,258
Increase in cash in the period		669	245
Notes:			
a See the table below giving a reconciliation of operating cost to operating cash flows.			
b See the table below giving an analysis of capital expenditure and financial investment.			
c See the table below giving an analysis of financing and a reconciliation to the net cash requirement.			
Reconciliation of operating cost to operating cash flows			
		2002-03	2001-02
Net operating cost		34,088	31,076
Adjustments for non-cash transactions	3	(9,721)	(9,841)
Adjustments for movements in working capital other than cash	11	457	150
Use of provisions	16	197	71
Net cash outflow from operating activities		25,021	21,456
Analysis of capital expenditure and financial investment			
		2002-03	2001-02
Fixed asset additions	9 & 10	2,230	1,324
Proceeds of disposal of fixed assets		0	0
Net cash outflow for investing activities		2,230	1,324
Analysis of financing and reconciliation to the net cash requirement			
		2002-03	2001-02
From Consolidated Fund (Supply): current year		27,920	23,258
Advances from the Contingencies Fund		0	3,500
Repayments to the Contingencies Fund		0	(3,500)
Net financing		27,920	23,258
Increase in cash in the period	14	(669)	(245)
Net cash flows other than financing		27,251	23,013
Adjustments for payments and receipts not related to Supply:			
Amounts due to the Consolidated Fund – received in a prior year and paid over		0	(233)
Amounts due to the Consolidated Fund – received and not paid over	15	578	0
Transitional adjustment for working capital	11	(2)	(109)
Net cash requirement (Schedule 1)		27,827	22,671

Amount of grant actually issued to support the net cash requirement = £27,920,000.00

The notes on pages 77 to 90 form part of these accounts.

Schedule 5

Resources by Departmental Aims and Objectives for the year ended 31 March 2003

Aims: To assist and promote the study of the past through the public records in order to inform the present and the future.

To advise Government on public record issues and related information policy matters.

Objectives:	2002-03			2001-02		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
Selection Overseeing records management in government and selecting the public records to provide an information resource for our generation and for future generations.	2,864	(41)	2,823	3,268	(47)	3,221
Preservation Preserving the public records	13,416	(241)	13,175	14,303	(497)	13,806
Access Providing access to the public records and promoting their value and use as a national information and educational resource.	21,986	(3,896)	18,090	18,022	(3,973)	14,049
Net Operating Cost	38,266	(4,178)	34,088	35,593	(4,517)	31,076
see note 19						

Key ministerial targets	2002-03		2001-02	
	Outturn	Target	Outturn	Target
Unit cost of selecting and preserving the public records per metre	£90.92	£107.00	£97.01	£102.81
Unit cost of giving onsite access to records per information transaction	£7.22	£8.80	£5.59	£8.69
Unit cost of giving online access to records per information transaction	£0.09	£0.15	£0.13	£0.16
Enterprises & Information Income (£000)	947	850	863	800

The notes on pages 77 to 90 form part of these accounts.

Notes to the accounts

1 Statement of Accounting Policies

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

1.1 Accounting convention

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

1.2 Tangible fixed assets

Tangible fixed assets other than land and buildings consist of computer hardware and software and office equipment. Computer software includes the capitalisation of costs relating to the development of databases such as Documents Online. Public records and other heritage assets held by the PRO are not valued and capitalised. The records held by the PRO span one thousand years and fill about 176 kilometres of shelving. They are held in many formats from medieval vellum and parchment to modern computer disks. They are made up of a variety of items ranging from traditional paper records to seals, maps, costumes, paintings, films, items of court evidence etc. Most of the records are unique and irreplaceable and have been preserved for their historical, legal and administrative value. In accordance with the Resource Accounting Manual, the records have not been valued as it would be impractical to do so.

The Public Record Office is the beneficial owner of the freehold land and buildings at Kew.

Freehold land and buildings are stated at current cost using professional valuations every five years and appropriate indices in intervening years. Other tangible assets have been stated at current cost using appropriate indices.

The minimum level for capitalisation of an individual tangible fixed asset is £1,000.

1.3 Intangible fixed assets

Intangible fixed assets comprise software licences purchased from third parties. They are amortised over their estimated useful life of 5 years. Previously these assets were included within tangible fixed assets. Following a review of accounting policies during the year it was decided that these assets should be reclassified in accordance with the Resource Accounting Manual. The amounts involved can be seen in note 10.

1.4 Depreciation

Freehold land is not depreciated.

Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other tangible fixed assets by equal instalments over their estimated useful lives. Lives are normally in the following ranges:

Freehold buildings	50 years
Computers and software	up to 5 years
Office equipment	up to 10 years
Conservation equipment	up to 25 years
Electric trucks	up to 10 years

1.5 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value.

1.6 Operating income

Operating income is income which relates directly to the operating activities of the Public Record Office. It principally comprises fees and charges for services provided to external customers, but it also includes grants from the Heritage Lottery Fund and the New Opportunities Fund.

1.7 Deferred income

This comprises payments in advance for work, which has not been undertaken at the balance sheet date.

1.8 Administration expenditure

Administration costs reflect the costs of running the Public Record Office as defined under the administration cost-control regime, together with associated operating income.

1.9 Programme expenditure

The Public Record Office does not incur any programme expenditure.

1.10 Capital charge

A non-cash capital charge, reflecting the cost of capital utilised by the department, is included in operating costs. The charge is calculated at the Government's standard rate of 6 per cent in real terms on the average of opening and closing net assets employed except amounts to be surrendered to the Consolidated Fund and cash holdings with the Office of the Paymaster General, where the charge is nil.

1.11 Pensions

Past and present employees are covered by the provisions of the Civil Service Pension Schemes which are described at Note 2. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependents' benefits. The department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the department recognises the contributions payable for the year.

1.12 Early departure costs

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

1.13 Operating leases

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

2 Staff numbers and costs

A. Staff costs consist of:

	2002-03 £000	2001-02 £000
Wages and salaries	11,440	9,850
Social Security costs	755	684
Other pension costs	1,481	1,289
	13,676	11,823

B. The PCSPS is an unfunded multi-employer defined benefit scheme but the Public Record Office is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 1999. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

C. For 2002-03, employers' contributions of £1,480,955 were payable to the PCSPS (2001-02 £1,288,672) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

D. Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £234 were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £20, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

E. The average number of whole-time equivalent persons employed, including senior management, during the year was as follows:

	2002-03 No.	2001-02 No.
Selection	66	58
Preservation	68	78
Access	369	315
	503	451

F. The salary and pension entitlements of the Keeper and Directors of the Public Record Office were as follows:

	Age	Salary (as defined below)	Real increase in pension at age 60	Total accrued pension at age 60 at 31 March	
	Yrs	£000	£000	£000	
Mrs. Tyacke – *Keeper of Public Records					
	2002-03	57	85-90	0.0-2.5	5-10
	2001-02	56	85-90	0.0-2.5	5-10
Dr David Thomas – **Director (w.e.f. September 2002)					
	2002-03	52	55-60	0.0-2.5	15-20
Dr Hallam-Smith – Director			Consent to disclosure withheld		
Mrs. Jones – Director			Consent to disclosure withheld		
*opted to join classic **opted to join classic plus					

The accrued pension of Mrs. Tyacke relates solely to her tenure as Keeper of Public Records.

The salary of Dr David Thomas represents his total earnings for the year.

Salary

(i) 'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Pension

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

(a) Classic Scheme

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

(b) Premium Scheme

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

rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

(c) Classic Plus Scheme

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

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

(d) Partnership Pension Account

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

Benefits in kind

(iii) The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. Neither the Keeper nor Directors listed above received benefits in kind.

3 Other administration costs

	£000	2002-03 £000	£000	2001-02 £000
Rentals under operating leases:				
Hire of plant and machinery	358		101	
Other operating leases	573		567	
		931		668
Non-cash items:				
Depreciation				
Civil Estate	2,012		2,004	
Other tangible fixed assets	1,333		1,730	
downward revaluation of fixed assets	343		275	
loss on disposal of fixed assets	6		37	
Cost of capital charge				
Civil Estate	5,071		5,041	
Other Items	534		525	
auditor's remuneration	59		57	
notional early departure costs	0		36	
Provisions:				
Provided in year	363		136	
		9,721		9,841
Other expenditure				
Accommodation	5,212		4,668	
Consultancy	2,406		713	
University of London	945		961	
Agency Staff	1,696		2,367	
Microfilming	594		1,660	
Travel, subsistence and hospitality	167		220	
Recruitment	392		348	
Training	239		183	
Digitisation	408		49	
Other expenditure	3,638		3,499	
Less VAT recovery on contracted out services	(1,759)		(1,407)	
		13,938		13,261
		24,590		23,770

Note a – the total of non-cash items included in the Reconciliation of Resources to the Net Cash Requirement comprises:

	2002-03 £000	2001-02 £000
Total non-cash transactions as above	9,721	9,841
Adjustment for loss on disposal of tangible fixed assets	(6)	(37)
Non-cash items per reconciliation of resources to net cash requirement	9,715	9,804

4 Operating income

Operating income not appropriated-in-aid (transferred to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not (see note 6).

2002-03			
a)	Resource Outturn	Operating Cost Statement	
	Appropriated in aid	Payable to Consolidated Fund	Income
	£000	£000	£000
Operating income analysed by classification and activity, is as follows:			
Administration income:			
Fees and charges to external customers	3,600	578	4,178
	3,600	578	4,178

2001-02			
	Resource Outturn	Operating Cost Statement	
	Appropriated in aid	Payable to Consolidated Fund	Income included in Operating Cost Statement
	£000	£000	£000
Operating income analysed by classification and activity, is as follows:			
Administration income:			
Fees and charges to external customers	4,517	0	4,517
	4,517	0	4,517

4 Operating income (continued)

b) An analysis of operating income from services provided is as follows:

	2002-03 Income £000	2002-03 Full cost £000	2002-03 Deficit £000
Record Copying services	1,383	1,551	(168)
Information and Enterprises	947	1,462	(515)
Other	1,848	1,848	0
	4,178	4,861	(683)

	2001-02 Income £000	2001-02 Full cost £000	2001-02 Deficit £000
Record Copying services	1,399	1,465	(66)
Information and Enterprises	863	1,340	(477)
Other	2,255	2,255	0
	4,517	5,060	(543)

c) The PRO is required, in accordance with the Treasury's Fees and Charges Guide, to disclose performance results for its areas of activity. The segmental analysis is not intended to meet the requirements of Statement of Standard Accounting Practice 25: Segmental Reporting.

and accommodation developments, which the PRO is undertaking. These developments will continue in 2003-04.

d) As a matter of policy, the full cost of services should normally be recovered. However, it has not proved possible in 2002-03 to recover the full cost of services provided. The main reason for the increasing deficits of Record Copying and Information & Enterprises is the share of infrastructure costs, such as IT investments

5 Administration cost limits

The outturn within the administration costs control regime shown against individual administration cost limits is as follows:

	2002-03 Outturn £000	Limits £000	2001-02 Outturn £000	Limits £000
Request for resources 1	31,451	35,168	31,076	35,715

6 Reconciliation of net operating cost to control total and net resource outturn

	2002-03 £000	2001-02 £000
Net operating cost (Note a):	34,088	31,076
Consolidated Fund extra receipts (CFERS)	578	0
Net resource outturn (Note a)	34,666	31,076

Note:

- a) Net operating cost is the total of expenditure and income appearing in the Operating Cost Statement (Schedule 2). Net resource outturn is the total of those elements of expenditure and income which are subject to parliamentary approval and included in the department's Supply Estimate. The outturn against the Estimate is shown in the Summary of Resource Outturn (Schedule 1)

7 Analysis of net resource outturn by function and reconciliation to Operating Cost Statement

2002-03								Net Total Outturn compared with
	Admin. £000	Other Current £000	Grants £000	Gross resource expenditure £000	A in A £000	Net total £000	Estimate £000	Estimate £000
Request for Resources 1								
Records registrations and surveys	38,266	–	–	38,266	(3,600)	34,666	39,038	4,372
Total	38,266	–	–	38,266	(3,600)	34,666	39,038	4,372
Resource Outturn	38,266	–	–	38,266	(3,600)	34,666	39,038	4,372
Reconciliation to Operating Cost Statement								
Non A-in-A operating income					(578)	(578)		
Gross operating expenditure				38,266				
Operating income					(4,178)			
Net operating Cost						34,088		

2001-02								Net Total Outturn compared with
	Admin. £000	Other Current £000	Grants £000	Gross resource expenditure £000	A in A £000	Net total £000	Estimate £000	Estimate £000
Request for Resources 1								
Records registrations and surveys	35,593	–	–	35,593	(4,517)	31,076	35,715	4,639
Total	35,593	–	–	35,593	(4,517)	31,076	35,715	4,639
Resource Outturn	35,593	–	–	35,593	(4,517)	31,076	35,715	4,639
Reconciliation to Operating Cost Statement								
Non A-in-A operating income					0	0		
Gross operating expenditure				35,593				
Operating income					(4,517)			
Net operating Cost						31,076		

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

2002-03					Outturn Compared	
	Capital expenditure £000	Loans, etc. £000	A in A £000	Net total £000	Estimate £000	with Estimate £000
Request for Resources 1						
Records registrations and surveys	2,230	–	–	2,230	3,360	1,130
Total	2,230	–	–	2,230	3,360	1,130

2001-02					Outturn Compared	
	Capital expenditure £000	Loans, etc. £000	A in A £000	Net total £000	Estimate £000	with Estimate £000
Request for Resources 1						
Records registrations and surveys	1,324	–	–	1,324	1,384	60
Total	1,324	–	–	1,324	1,384	60

9 Tangible fixed assets

	Freehold land and buildings £000	Equipment £000	IT including databases £000	Total £000
Cost or valuation				
At 1 April 2002	93,689	8,280	4,777	106,746
Additions	0	60	2,097	2,157
Disposals	0	(331)	(1,935)	(2,266)
Revaluation	2,267	(58)	(343)	1,866
At 31 March 2003	95,956	7,951	4,596	108,503
Depreciation				
At 1 April 2002	9,188	1,817	3,080	14,085
Charged in year	2,012	373	920	3,305
Disposals	0	(331)	(1,929)	(2,260)
Revaluation	222	3	0	225
At 31 March 2003	11,422	1,862	2,071	15,355
Net Book value at 31 March 2003	84,534	6,089	2,525	93,148
Net Book value at 31 March 2002	84,501	6,463	1,697	92,661

a) Freehold land and buildings were valued on 25 March 2002 at £84.5m on the basis of depreciated replacement cost by an external firm of Chartered Surveyors, Atis Real

Weatheralls Limited. Their valuation was carried out in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors.

10 Intangible fixed assets

	Software Licences £000
Cost or valuation	
At 1 April 2002	124
Additions	73
Disposals	(18)
Revaluation	0
At 31 March 2003	179
Depreciation	
At 1 April 2002	71
Charged in year	39
Disposals	(18)
Revaluation	0
At 31 March 2003	92
Net Book value at 31 March 2003	87
Net Book value at 31 March 2002	53

11 Movements in working capital other than cash

	Notes	2002-03 £000	2001-02 £000
(Decrease)/ Increase in stocks	12	(19)	8
Increase in debtors	13	758	448
Increase in creditors	15	(282)	(306)
		457	150
Transitional adjustment		(2)	(109)
Increase in Supply working capital		455	41

The transitional adjustment of £2,040 (£109,000 in 2001-02) is for receipts brought forward at 1 April 2001 that reduced the Net Cash Requirement.

12 Stocks

	2002-03 £000	2001-02 £000
Reprographic materials	17	20
Work in progress	25	20
Publishing and shop stocks	290	311
	332	351

13 Debtors

	2002-03 £000	2001-02 £000
Amounts falling due within one year:		
VAT	1,504	416
Trade debtors	105	167
Deposits and advances	33	28
Prepayments and accrued income	409	636
Prepayments - early retirement	20	36
	2,071	1,283
Amounts falling due after one year:		
Prepayments and accrued income	26	35
Prepayments - early retirement	20	41
	46	76
	2,117	1,359

14 Cash at bank and in hand

	2002-03 £000	2001-02 £000
Balance at 1 April	1,514	1,269
Net cash inflow	669	245
Balance at 31 March	2,183	1,514
The following balances at 31 March are held at:		
Office of HM Paymaster General	2,180	1,510
Commercial banks and cash in hand	3	4
	2,183	1,514
The balance at 31 March comprises:		
Cash due to be paid to the Consolidated Fund:		
Consolidated Fund extra receipts received and due to be repaid to the Consolidated Fund	578	–
Amounts issued from the Consolidated Fund for Supply but not spent at year end	1,605	1,514
	2,183	1,514

15 Creditors

	2002-03 £000	2001-02 £000
Amounts falling due within one year		
Trade creditors	292	292
Accruals and deferred income	1,164	882
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,605	1,514
Consolidated Fund extra receipts received and receivable and other due to be paid to the Consolidated Fund	578	0
	3,639	2,688

16 Provisions for liabilities and charges

	Early departure costs £000
Balance at 1 April 2002	235
Provided in the year	363
Provisions utilised during the year	(197)
Balance at 31 March 2003	401

Early departure costs

The Public Record Office (PRO) meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The PRO provides for this in full when the early retirement programme becomes binding on the department by establishing a

provision for the estimated payments discounted by the Treasury discount rate of 6 percent in real terms. In past years the PRO paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The balance remaining is treated as a prepayment.

17 Reconciliation of Net Operating Cost to changes in General Fund

	Note	2002-03 £000	£000	2001-02 £000	£000
Net Operating Cost	6	(34,088)		(31,076)	
Surrender of excess appropriations in aid and CFERs	4	(578)		0	
			(34,666)		(31,076)
Net Parliamentary funding			27,920		23,258
Transferred to general fund in respect of realised element of revaluation reserve on depreciation	18		258		350
Consolidated Fund creditor for unspent cash	15		(1,605)		(1,514)
Settlement of previous year creditor for unspent cash	15		1,514		924
Notional charges:	3				
cost of capital charge		5,605		5,567	
auditor's remuneration (notional)		59		57	
notional early-departure costs		0		36	
			5,664		5,660
Net decrease in General Fund			(915)		(2,398)
General Fund at 1 April 2002			80,775		83,173
General Fund at 31 March 2003			79,860		80,775

18 Reserves

	Revaluation reserve £000
At 1 April 2002	12,240
Arising on revaluation during the year (net)	2,210
Transfer in respect of realised depreciation	(225)
Transferred to general fund in respect of realised element of revaluation reserve	(258)
Balance at 31 March 2003	13,967

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets). There were no donated assets in 2002-03.

19 Notes to Schedule 5

The PRO's capital is employed exclusively for administration purposes. Its distribution amongst objectives is therefore not markedly different from the proportion of the related gross administration cost.

Administration costs and income have been attributed to objectives in accordance with the department's normal management accounting practices.

20 Capital commitments

There were no commitments for capital expenditure contracted for at 31 March 2003 for which provision has not already been made in the accounts.

21 Commitments under operating leases

Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.	2002-03 £000	2001-02 £000
Obligations under operating leases comprise:		
Land and buildings		
Expiry after more than 5 years	564	564
	564	564
Other		
Expiry within one year	184	32
Expiry between two and five years	243	63
	991	659

22 Other commitments

The PRO has entered into a seven year service contract with the University of London for the preservation of government datasets (UK National Data Archive for Datasets). At 31 March 2003,

commitments under this contract totalled £1.6m. The PRO has not entered into any other non-cancellable contracts, other than the one disclosed above.

23 Contingencies

There were no contingent assets or liabilities at 31 March 2003.

24 Collaborative projects

QinetiQ

In January 2000, the PRO awarded a contract to QinetiQ to digitise the 1901 census and make it available on the Internet for January 2002. Due to technical difficulties the site was not permanently launched until August 2002. Providing the service is operating as specified, the income on the contract

has been underwritten by the PRO up to a maximum of £250,000 per annum. The first payment, if required, will be made in 2003-04. All assets relating to this contract are owned by QinetiQ. Costs incurred in the management of this project during 2002-03 amounting to £390,111 were expensed in the year.

25 Related party transactions

The Public Record Office is a government department in its own right. The Keeper reports directly to the Lord Chancellor.

None of the board members, key managerial staff or other related parties has undertaken any material transactions with the PRO during the year.

26 Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which it is financed, the Public Record Office is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Public Record Office has very limited powers to borrow or invest funds and except for relatively insignificant forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational

activities and are not held to change the risks facing the department in undertaking its activities.

Liquidity Risk

The Public Record Office's net revenue resource requirements are financed by resources voted annually by Parliament, as is its capital expenditure. The Public Record Office is not therefore exposed to significant liquidity risks.

Interest Rate Risk

The Public Record Office is not exposed to any interest rate risk.

Foreign Currency Risk

The Public Record Office's exposure to foreign currency risk is not currently significant.

27 Accountability

No exceptional kinds of expenditure such as losses and special payments that required separate disclosure because of their nature or amount were incurred.

28 Post Balance Sheet Event

From April 2003 the PRO joined together with the Historical Manuscripts Commission (HMC) to form a new body, The National Archives.