

Estimate Memorandum

Department for Digital, Culture, Media and Sport 2017-18 Supplementary Estimate

Overall Summary

The Department for Digital, Culture, Media and Sport (DCMS) helps make Britain the world's most creative, digital and engaged nation; an exciting place to live, visit and do business. We support strong and resilient communities, providing opportunities for everyone. Wherever you live and whatever your background, we want your life to be enriched by what we (and the sectors we support) do.

DCMS is a department with substantial responsibilities. Our sectors make up more than 14% of the UK economy and our efforts enrich the lives of people across the country through their involvement in social action, digital, culture, the arts and sport. From its earliest origins in the Department of National Heritage with responsibilities for heritage, arts and culture, DCMS has grown to the department it is today. A department that focuses not just on the heritage that makes our united nation great, but also on the UK's future as a digital, global Britain with innovation, technology and creativity at its economic heart. Our efforts to build a stronger, fairer society are at the heart of everything we do, and teams in the Office for Civil Society, together with many others, help make this ambition a reality. This Supplementary Estimate seeks the resources and cash to continue to make this possible, and to give our industries the framework to grow and make a real impact on people's lives.

This memorandum provides the Select Committee with an explanation of how the amended resource and cash allocations sought in the Supplementary Estimate will be applied and how they compare with plans and outturn control totals. The key elements for the committee to be aware of are:

- Total Resource DEL net increase of £323.5m, comprising Reserve claims of £285.2m of which: (£213.0m to cover potential fee repayment liabilities, £15.0m to allow the Museums and Galleries access to their reserves, £16.7m for the listed Places of Worship scheme, £9m for EU Exit costs, £5.7m for Commonwealth Games, £5m for Cathedral roofs, £3.5m for 5G, £4m for UK Sport for the reprofiling exercise and £5.9m LIBOR funding); Autumn Budget funding of £1.4m; Net Budget Cover Transfers of £30m (£15.6m from the Department for International Trade (DIT) for the Great Campaign, £15.3m from Cabinet Office for Cyber Security, £0.15m from Foreign and Commonwealth Office for the insuretech board, £0.05m from DIT for digital tech hubs, £0.045m from Business, Energy and Industrial Strategy (BEIS) to the Information Commissioner's Office for EIDAs regulations and £1.1m to the Single Intelligence Unit for work done by GCHQ on Cyber Security
- Total Capital DEL net decrease of £-63.7m comprising Budget Cover transfers totalling £7.5m from Broadband Delivery UK (BDUK) to the devolved regions for Superfast Broadband, Budget Exchange of £33.7m for Blythe House and Budget Reprofile of £56.7m for BDUK, £3.6m returning unspent digital funding, partially offset by Reserve claims of £28.1m for Museums Freedoms, £10.9m for Royal Armouries New Model and £5.6m for Libor funding.

A comparison of 2017/18 plans with previous years is attached at Annex A.

Summary of the main spending control figures contained in the Estimate

Voted provision

Resource Departmental Expenditure Limit (DEL) increases by **£323.477m** to **£1,931.791m**

of which:

- Administration budget increase of **£15.707m** to **£202.662m**
- Programme budget increases by **£307.770m** to **£1,729.129m**

Capital DEL decreases by **£-63.689m** to **£385.748m**

Resource Annually Managed Expenditure (AME) decreases by **£50.507m** to **£3,341.492m**

Capital AME increases by **£154.309m** to **£325.635m**

Increase in the Net Cash Requirement (NCR) of **£228.829m** to **£5,417.055m**

Non Voted provision

Non Voted Resource DEL decreases by **£-4.0m** to **£-34.0m**

Non Voted Resource AME increases by **£83.097m** to **£1,367.106m**

Non Voted Capital AME decreases by **£-69.499m** to **£427.041m**

Significant Movements on Estimate Lines

			£m
Line A: Museums support	Capital	Budget Exchange for Blythe House - note 1, 2	-33.7
		Core Funding for Blythe House transferred to the British Museum (£10.9m), to the Science Museum Group (£3.1m) and the V&A (£0.4m) - note 1	-14.4
		Additional core funding for the Royal Armouries New Model - note 3	10.5
Line B: Museums and Galleries sponsored bodies	Resource	Additional Resource funding to allow the Museums access to their self-generated reserves under the Museums Freedoms scheme – note 4	15.0
	Capital	Additional Capital Funding to allow Museums access to their self-generated reserves – note 4	23.8
		Capital funding for Loans to Museums - note 4	2.6
		Funding for Museums for the Blythe House project (see above) - note 1	14.4
Line C: Libraries sponsored bodies	Capital	Additional Capital Funding to allow Museums access to their self-generated reserves - note 4	1.7
Line D: Support for the Arts Sector	Resource	Additional funding for Legacy Cost relating to the Hull City of Culture - note 5	3.0
Line F: Support for the Sports Sector	Resource - programme	Funding from the Reserve following the successful bid for the Commonwealth Game – note 6	5.7
Line G: Sports sponsored bodies	Resource - programme	Reprofiling and Reserve Claim due to a change in accounting treatment for UK Sport grant – note 7	11.0
Line H: Ceremonial and support for the Heritage sector	Resource - programme	Claim on the Reserve for Listed Places of Worship grant scheme - note 8	16.7
		Additional funding Cathedral renovations and repairs - note 9	5.0
Line J: Tourism sponsored bodies	Resource - Programme	Contribution to the GREAT campaign managed by VisitBritain from the Department for International Trade note 10	15.6
		Discover England Budget Exchange note 2	-1.1
Line K: Support for the Broadcasting and Media sector	Resource - programme	Additional Reserve support for potential fee repayment liabilities – note 11	213.0
		Budget Cover transfer from Cabinet Office for the National Cyber Security	15.3

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		programme - see note 12	5.0
		Capital to Resource switch for 5G and Fibre – note 13	3.5
		Reserve funding for 5G and Fibre – note 13	2.8
		Capital to Resource switch for viewer support costs - note 14	
	Capital	Budget Cover transfer to the Welsh Assembly for Superfast Broadband	-2.1
		Budget Cover transfer to the Northern Ireland Executive for Superfast Broadband	-5.4
		Reprofile of Broadband Delivery UK - note 15	-56.7
		Return of Digital underspend	-3.6
Line L: Broadcasting and Media sponsored bodies	Resource-Administration	Increase in Spectrum Management cost/offset by corresponding non voted negative DEL- note 16	4.0
Line M: Administration and Research	Resource - Administration	Additional funding for EU Exit costs	9.0
		Additional funding for Commonwealth Games bid costs -note 6	1.5
Line Q: Office for Civil Society (OCS)	Resource – programme	LIBOR funding for the OCS – note 17	4.9
		Reprofiling of OCS expenditure following a technical adjustment	-9.5
	Capital	LIBOR funding for OCS capital expenditure - note 17	5.6

Notes to explain significant movements in the Resource and Capital DEL and the reasoning behind them are detailed below

Note 1

Blythe House is a listed building located at 23 Blythe Road, West Kensington. Originally built as the headquarters of the Post Office Savings Bank, it is now used as a store and archive by the Victoria and Albert, Science and British Museums. In the 2015 Autumn Statement the Government announced it would provide £150 million funding support to these bodies to replace out-of-date museum storage with new world-class facilities to preserve and protect over 2 million fragile and sensitive objects. Blythe House will be sold in due course. The budget exchange facility has been used to re-align the budget with the spending profile of this project.

Note 2

Budget Exchange is a mechanism that allows Departments to carry forward a forecast DEL underspend from one year to the next. It is intended that Budget Exchange will provide departments with flexibility to manage their budgets, while strengthening spending control and providing greater certainty in order to support effective planning. Under Budget Exchange, departments may surrender a forecast DEL underspend in advance of the end of the financial year (by means of a DEL reduction in the Supplementary Estimate) in return for a corresponding DEL increase in the following year, subject to a prudent limit. To ensure that the fiscal cost of Budget Exchange is manageable and that spending power is not allowed to accumulate over time, Budget Exchange is only permitted from one year to the next.

Note 3

The Department for Digital, Culture, Media and Sport (DCMS) and Royal Armouries (International) plc (RAI) have reached an agreement for the sale of RAI's shareholding to the DCMS, on behalf of the Royal Armouries (RA). The Royal Armouries Museum (RA) houses one of the oldest collections of arms and armour in the world and is the United Kingdom's oldest museum. Originally housed in the Tower of London from the 15th century it was the first museum in Britain. It moved to Leeds in 1996.

RAI assets include the cafe and catering arm, events business and carpark. The business will continue to trade and the offer will continue in its existing form, with all current bookings being honoured. By bringing both operations together (Royal Armouries and RAI) it will enable the museum to consolidate its position as one of the leading cultural and business tourism attractions in the North.

Note 4

The Museums' Freedoms Scheme - This scheme offers institutions such as the British Museum easier access to finance and more control over how they manage themselves. Museums have been given more power to spend their self-generated reserves and opt out of central procurement controls if they can secure value for money through other routes under the scheme set up by the Department for Digital, Culture, Media and Sport and approved by the Chancellor. In addition the scheme gives the Museums access to the loan scheme following approval of loan applications. The increase in resource and capital budgets for museums included in this Supplementary Estimate will enable them to spend self-generated reserves as required and access the loans fund according to the most commercially sensible timing.

Note 5

Hull was announced as the winner of UK City of Culture 2017 in 2013. The award is given every four years to a city that demonstrates the belief in the transformational power of culture. In the 2015 Autumn Statement £5 million Capital funding was allocated to this event. The arts and cultural programme in 2017 celebrated the unique character of the city, its people, history and geography. It ran from 1 January to 31 December 2017.

Note 6

On Thursday 21 December it was announced that Birmingham had been selected to host the Commonwealth Games in 2022, the biggest sporting event to be awarded to an English city since the London Olympics in 2012. The Games will give us a chance to show the best of Britain to the world, give great opportunities to the people and businesses of the West Midlands and beyond while inspiring many to get involved in sport.

The Games will also have huge economic benefits for the region and is expected to create 22,000 more jobs over four years. It will also reset the profile and image of Birmingham as a modern, cosmopolitan city.

Note 7

The Rugby Football League received £25m from central government to support its bid to host the 2021 Rugby League World Cup. It plans to stage 80% of the games in Lancashire and Yorkshire. In total a mixture of 12 rugby league and other sporting venues, including Manchester's Old Trafford and Wembley in the capital, are in line to host matches at the 2021 event.

Note 8

As part of Budget 2012, the Government announced that from 1 October 2012 the current zero rate of VAT for approved alterations to listed buildings would be replaced by the standard rate of VAT. It was announced in parallel that the Listed Places of Worship (LPW) Grant Scheme would be extended to cover alterations, to mitigate the impact of the VAT change on listed places of worship. Previously the scheme was only funded to pay out on repairs; the increase in scope to cover alterations has had a significant impact on the value of, and number of claims being made under the scheme. The LPW scheme operates under a "dual key" arrangement between DCMS and The Treasury. We have stated publicly that the extended scheme will provide grants equivalent to 100 per cent of the VAT costs of eligible repair, maintenance and alteration work until the end of this Parliament.

Note 9

The final phase of a two year grants programme to fund repairs to English cathedrals. The grants have been awarded to 24 Church of England and Catholic cathedrals for repairs to stained glass windows, stone pinnacles, and roofs as well as drainage and lighting.

Note 10

The GREAT campaign is designed to promote the UK abroad, and aims to deliver long-term economic benefits from the unprecedented level of interest generated by the London 2012 Olympic and Paralympic Games. The campaign offers a chance for the whole world to discover everything that the UK has to offer, as one of the best places in the world to live, work, visit, invest and do business. It has been developed by DCMS on behalf of the Prime Minister, working

with colleagues at the Foreign and Commonwealth Office, UK Trade & Investment, the Department for Business, Energy and Industrial Strategy, VisitBritain, and the British Council. It centres on ten key areas of British excellence: technology and innovation; entrepreneurship; creativity; knowledge; green; heritage; sport; shopping; music; and countryside. The campaign materials have been used by UK Trade & Investment, DCMS, FCO, Visit Britain and other Government departments to ensure the whole of Government speaks with one voice.

Note 11

In 2015, Ofcom reset the Annual Licence Fees (ALFs) for the 900 & 1800 MHz bands following a Government direction. This meant that the fees being paid by the Mobile Network Operators (MNOs) increased from approximately £65m to £200m per annum. Following an appeal by BT/EE, the court of appeal ruled that in revising the fees Ofcom should have taken account of its own statutory duties as well as the Government direction. The court therefore quashed the decision that imposed the revised fees. Following judgment, the fees have reverted to the pre-existing levels. The estimate of £213m is to ensure that, should there be a need to cover any liabilities with regard to ALFs already paid at the higher rate, DCMS has sufficient funds in order to meet those liabilities without affecting the Department's ability to continue to deliver on its high profile programmes.

Note 12

To make sure the advantages of 21st-century communications are realised while the risks are mitigated, the UK government launched the five-year National Cyber Security Programme (NCSP) in 2011. The NCSP's objectives include tackling cybercrime, increasing the country's resilience to attack, and helping to shape the web in favour of "open societies". This programme is now the responsibility of the Digital Economy Unit.

Note 13

5G

5G is the next generation of mobile technology and is expected to provide much faster wireless connections, which will facilitate the development of new technologies. Within the year, DCMS established a new team to drive forward the 5G Strategy and the Testbeds and Trials Programme. The first step of the 5G Programme was to invest £16m in the development of the University Test Network, a collaboration between the Universities of Surrey, Bristol and King's College London, to test new 5G applications. This is due to be completed by March 2018.

Fibre (LFFN)

The Local Full Fibre Network (LFFN) programme has successfully launched four Wave 1 projects totalling £10m to test the four different delivery methods:

- Gigabit Voucher Scheme in four areas, Aberdeen and Aberdeenshire, Coventry and Warwickshire, Bristol (with Bath and North East Somerset) and West Yorkshire. These are aimed at providing connectivity to Small Medium Enterprise (SME) with residential vouchers being trialled in one area (Bristol).
- Public Sector Anchor Tenancy in West Sussex - Upgrading connectivity to Council Buildings across the County to Fibre
- Public Sector Buildings Fibre Upgrades to school buildings across multiple sites

- Reuse of Public Sector Infrastructure Assets in Tameside - i.e./ Opening up the council's own duct and fibre network for third party use

In parallel we are working on a £35m pilot project with Network Rail to build fibre and mobile masts along the Trans-Pennine rail route. This is our first joint fibre/5G project. The next stage of the programme will be the evaluation of Wave 2 bids for the £75m-£100m Challenge Fund which closes on 26 January 2018, with the aim of supporting a range of local full fibre projects across the UK.

Note 14

The 700Mhz clearance programme has reprofiled capital budget to programme resource budget to provide viewer support services that ensure television viewers are not unduly inconvenienced and are supported with re-tuning when the 700Mhz spectrum is cleared in their area.

Note 15

The Broadband Delivery UK budget has been re-profiled as a result of efficiency saving in delivery which has been reallocated to fund additional superfast broadband coverage.

Note 16

A need to extend the current Ofcom funding arrangements by a further month from April to October to cover the delay in the response from stakeholders to the Ofcom Statement of Principles (which details the new charging arrangements). The additional funding requested to enable DCMS to extend the Grant in Aid payment to Ofcom up to the end of October is £4m.

Note 17

The London Interbank Offered Rate, or LIBOR, is a key short-term interest rate that reflects the rates that banks use when they borrow from each other day-to-day. Interbank borrowing is carried out by financial institutions looking to maximise profits on short-term holdings or cover short-term liquidity shortfalls. The discovery that some institutions had manipulated this rate led to the Financial Services Authority imposing fines on the banks in question.

Changes to Voted AME

The changes to the Voted AME data are mainly due to the BBC and Channel 4 forecasting their commercial borrowing requirement, plus our Arm's Length bodies reflecting their latest forecasts.

Changes to Non-Voted AME

The changes to non-voted AME data are mainly due to Lottery Distribution bodies reflecting their latest forecasts.

Changes to Non-Budget data

As stated in Part III Note F, the Supplementary Estimate includes a sum for a Prior Period Adjustment of £220m that arose as a result of an error in year-end data submitted by the BBC relating to pension prepayments.

Changes to the Ambit

The Ambit has been expanded to ensure that all areas of expenditure and income relating to the activities of the Department and its ALB's are sufficiently covered.

Contingent Liabilities

Contingent liabilities are potential liabilities that are uncertain, and the Department will only incur future expenditure if certain conditions are met or if certain events happen. Details of the Department's contingent liabilities are set out in a separate table in the published Supplementary Estimate.

Approval of Memorandum

This memorandum has been prepared with reference to the guidance in the Estimates Manual issued by HM Treasury which can be found on the House of Commons Scrutiny Unit website. This memorandum has been approved by the DCMS Accounting Officer.

Glossary of Key Terms

Annually Managed Expenditure (AME) - a Treasury budgetary control for spending that is generally difficult to control as a proportion of the department's budget and volatile in nature.

Departmental Expenditure Limit (DEL) - a Treasury budgetary control for spending that is within the department's direct control and which can therefore be planned over an extended (Spending Review) period (such as the costs of its own administration, payments to third parties, etc.).