

The **HOUSE of
COMMONS:
Administration
Resource Accounts
2001–02**

(For the year ended 31 March 2002)

*Presented to the House of Commons in pursuance of
Section 3 (as amended) of The House of Commons (Administration) Act 1978*

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Resource Accounts 2001–2002

Foreword to the Accounts

For the year ended 31 March 2002

Scope of the Accounts

The House of Commons: Administration accounts include all expenditure previously accounted for as Class XVIII A, Vote 1 House of Commons Administrative Expenditure, and supports the work of the House of Commons and its Members in their parliamentary duties.

The expression “House of Commons administration” includes the House of Commons Commission and the domestic Select Committees. The expression “House of Commons service” covers the employees of the House of Commons Commission, by analogy with the Civil Service.

No significant events affecting the entities within the boundary have occurred since the financial year-end.

Purpose

The House of Commons service supports, informs and records the work of the House of Commons as an elected parliamentary chamber in accordance with the decisions of the House and the Commission. Whenever appropriate it makes its work and information about that work accessible to the general public, while maintaining the heritage of parliamentary buildings and documents in trust for the public and future generations. It also contributes to parliamentary democracy by sharing its knowledge with parliaments and assemblies worldwide.

The House of Commons and the House of Lords have joint stewardship of the Palace of Westminster. The parliamentary estate, including the Palace, is maintained by the Parliamentary Estates Directorate within the House of Commons Administration. The House of Lords is recharged for its share of costs relating to the parliamentary estate. In addition, the two Houses also incur administration costs on each other’s behalf and these are also recharged. Security costs are arranged and monitored jointly but are billed separately to the two Houses by the Metropolitan Police.

Values

The House of Commons service seeks to achieve high ethical standards, value for money and professional excellence in all that it does.

Core Tasks and Objectives

The House of Commons administration has four permanent core tasks:

- Supporting the House and its committees.
- Supporting individual Members (and their staff).
- Providing information and access to the public.
- Maintaining the heritage of buildings, objects and documents.

While these tasks are permanent, the specific needs of the House and its Members are constantly evolving. The technological, environmental, social and constitutional contexts in which the House works are also changing and the House of Commons Commission has adopted a strategic plan with objectives that recognise the need to develop, adapt and improve. In particular it seeks:

- To provide services that meet the changing needs of the House and its Members as efficiently and effectively as possible; and to develop mechanisms to ensure that this happens.
- To manage the parliamentary estate in such a way as to provide Members, their staff and staff of the House with a safe, secure, modern and efficient working environment, within the constraints imposed by the availability of resources and the nature of the estate.
- To ensure that the House of Commons processes of corporate management comply with the highest standards of public sector governance.
- To achieve demonstrable value for money in every aspect of the House service.
- To be demonstrably committed to employment best practice and diversity, providing the House with a motivated and committed workforce which has the specialist skills to meet its current and changing needs.
- To improve public understanding and knowledge of the work of the House and to increase its accessibility, subject to the requirements of security.
- To support the business processes of the House at all levels by developing and maintaining an information infrastructure that is unified, consistent, seamless and easily accessed by, and appropriate to the needs of the various user communities.
- To identify areas where service levels might be improved by the option of electronic delivery and, where appropriate, produce costed proposals.

Annual Report

The House of Commons Commission publishes an Annual Report containing outline plans, organisation and services provided by each Department of the House. It also summarises recent and future developments including performance standards. The report contains information from the Board of Management and its sub-groups as well as the annual report from the Accounting Officer which provides information about the numbers of staff employed, salary scales and allowances in the House of Commons service. The Annual Report of the Audit Committee is published with the Commission's Report.

Operating and Financial review

The main features of the House's operating and financial performance are shown in the annual report of the House of Commons Commission for 2001–02 (HC1002 of 2001–02). The figures included in the annual report were provisional and unaudited, and the figures in these accounts supersede them. The report also covers:

- significant developments in the House administration's activities and the environment in which it operates and its financial position;
- factors and influences that may affect future periods, particularly on future financing requirements; and
- the main ways in which the House administration has sought to invest in the future.

Pensions

All permanent staff of the House of Commons are entitled to join the House of Commons Staff Pension Scheme (HOCSPS). It operates by analogy with the Principal Civil Service Pension Scheme; it is a defined benefits and non-funded scheme. The balance sheet includes a provision against which future pension benefits will be charged when paid. The accruing cost of benefits will be charged to the operating cost statement in the annual resource accounts.

Management

The House of Commons Commission is the statutory body with responsibility for the administration of the House of Commons. It is responsible for the appointment, pay and conditions of House staff, and also has responsibility for preparing the resource estimates for the House Administration.

At the start of the financial year the membership of the Commission was:

The Rt Hon Michael J Martin MP	Speaker (Chairman) <i>ex-officio</i>
The Rt Hon Margaret Beckett MP	Leader of the House of Commons <i>ex-officio</i>
Angela Browning MP	nominated by the Leader of the Opposition
The Rt Hon Eric Forth MP	appointed by the House
Archy Kirkwood MP	appointed by the House
Stuart Bell MP	appointed by the House
Sir William McKay KCB (Chief Executive)	(in attendance)

Upon formation of the new administration following the general election of 7 June 2001, the Rt Hon Robin Cook became Leader of the House of Commons and replaced Mrs Beckett on the Commission. On 3 October 2001 the Rt Hon Eric Forth was nominated by the Leader of the Opposition in succession to Mrs Browning; and on 13 February 2002 Sir Patrick Cormack FSA was appointed by the House as the sixth commissioner.

The most senior official of the House of Commons is the Clerk of the House, who is Chief Executive, Corporate Officer and Accounting Officer. He is assisted in his role as Chief Executive by the Board of Management. For the year 2001–02, members of the Board of Management were as follows:

Sir William McKay KCB	Clerk of the House (Chief Executive)
George Cubie	Clerk of Committees
Michael Cummins	Serjeant at Arms
Priscilla Baines	Librarian
Andrew Walker	Director of Finance and Administration
Ian Church	Editor of the Official Report
Sue Harrison	Director of Catering Services

The Queen appoints the Clerk of the House by letters patent; the Serjeant at Arms is also appointed by the Queen, under a warrant from the Lord Chamberlain. Other heads of department are appointed by the Speaker.

Under the House of Commons (Administration) Act 1978 the Commission may delegate functions to heads of department individually or jointly. The Commission has used these powers to establish the Board of Management. The detailed Instruments of Delegation are revised from time to time. All appointments may be terminated according to the conditions laid down in the conditions of service for House of Commons staff. Details of the remuneration paid to the members of the Board of Management of the House can be found in note 2 of the accounts. The House is required to keep the pay and conditions of its staff broadly in line with the Home Civil Service, and this determines the level of remuneration of its senior officials' pay. The level of remuneration of the senior officials is determined by the Chief Executive on the recommendations of a Senior Pay Panel.

Public Interest

The House of Commons consists of 659 Members elected by their constituents. It is constitutionally separate from the Government. The House administration seeks to maintain good practice in all employment and business matters. In particular it is committed to the principles of diversity and equality of opportunity, and to the prompt payment of bills. Details are contained in the annual report of the House of Commons Commission.

The Comptroller and Auditor General is currently appointed to audit the financial statements of the House of Commons.

Roger Sands
Accounting Officer

29 January 2003

Statement of Accounting Officer's Responsibilities

The House of Commons (Administration) 1978 Act gives the House of Commons Commission the power to appoint the Accounting Officer. The Accounting Officer is responsible for accounting for the use of resources for the service of the House of Commons. Roger Sands has been appointed Accounting Officer from 1 January 2003, replacing Sir William McKay KCB who was Accounting Officer for 2001–02.

The House of Commons Commission has directed that the accounts be prepared on a resource basis.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the House of Commons Administration, the net resource outturn, recognised gains and losses and cash flows for the financial year.

The Accounting Officer is responsible for the House of Commons Resource Accounting Manual. He should ensure that the accounts:

- Observe the relevant accounting and disclosure requirements, and applies suitable accounting policies on a consistent basis;
- Include judgements and estimates made on a reasonable basis;
- State whether applicable accounting standards, as set out in the House of Commons Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts;
- Have been prepared on a 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 organisation's assets, are broadly as set out in the Accounting Officer's Memorandum, issued by the Treasury and published in Government Accounting.

Statement on the System of Internal Control

This statement is given in respect of the Resource Accounts for the House of Commons: Administration for 2001–02. As Accounting Officer for this Vote, I acknowledge my responsibility for ensuring that an effective system of internal control is maintained and operated, which supports the effective use of resources and the achievement of the aims and objectives of the House of Commons while safeguarding the public funds and the assets of the House for which I am personally responsible. I have delegated certain responsibilities to the Heads of Departments of the House of Commons Administration; the relationship between us has been set down in a written statement.

The system of internal control is designed to manage rather than eliminate risk. It can therefore only provide reasonable and not absolute assurance that systems are operating effectively.

The system of internal control is based on a continuous process designed to identify, evaluate and manage the principal risks to the achievement of the objectives set out in the House of Commons corporate strategic plan and the business plans of the six Departments of the House, to evaluate these risks, and to manage them efficiently, effectively and economically. This process has been in place since 2001.

As Accounting Officer I have also responsibility for reviewing the effectiveness of the system of internal control.

The House has developed an understanding of how the principal risks originate so that appropriate internal control activities can be put into place. The corporate risk register and departmental risk profiles are subject to periodic review by the Board of Management.

The House of Commons Commission set up an Audit Committee on 15 May 2000 to advise me in my role as Accounting Officer. Its membership comprises two Members of Parliament, both of whom are also members of the Commission, and two external non-executive members. The external members and the Members of Parliament are independent. The Committee takes a close interest in the work of internal audit, with particular emphasis on promoting economy, efficiency and effectiveness, risk assessment and internal control. The Director of Finance and Administration and I regularly attend the meetings of the Audit Committee.

The House of Commons has an Internal Review Service (IRS), which operates broadly to the standards defined in the Government Internal Audit Manual. The work of the Internal Review Service is informed principally by the analysis of risk to which the House of Commons is exposed and annual internal audit plans are based on this analysis to ensure adequate coverage of risk across the operational areas in the House of Commons. Furthermore, IRS undertakes manpower reviews at the request of the Heads of Departments within the House of Commons. These reviews ensure that manpower is employed efficiently and assesses the effectiveness of the organisational structures in the Departments of the House.

Since December 2000, the House has formalised its approach to the evaluation and management of the principal risks to which it is exposed. Executive managers at all levels within the House of Commons service have been engaged in this process. The risk management infrastructure in the House has the following components:

- Risk management policy and implementation strategy;
- Risk management methodology;
- Corporate risk register;
- Departmental risk champions or sponsors;
- Departmental risk profiles.

We will continuously review and seek to improve our existing risk management arrangements.

The analysis of risk and the internal audit plans are approved by me in the light of advice from the Audit Committee of the House of Commons. At least annually, the Director of the Internal Review Service provides me with an independent report on internal control activity within the House of Commons. The report includes his opinion on the adequacy and effectiveness of the House of Commons system of internal control.

My review of the effectiveness of the system of internal control is informed by the work of IRS and the work of the House of Commons service who have responsibility for risk awareness and risk management and for the development and maintenance of the control framework. I have also taken account of comments made by the external auditors in their management letter and other reports.

In the light of the work carried out by IRS, I am satisfied as to the general adequacy of the internal control systems within the ambit of the House of Commons Administration Estimate during 2001–02. There are a number of areas identified through the risk management process where I expect to see further improvement. In 2002–03 additional management and audit resources are being devoted to the following areas:

- Business change management — (technical and business);
- Project investment appraisal;
- Project management and control;
- The corporate financial system;
- Payroll and personnel systems;
- Resource Accounting and Budgeting policies and procedures.

Roger Sands
Accounting Officer

29 January 2003

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 12 to 37. 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 19 to 24.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 7, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the House of Commons Resource Accounting Manual and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and are 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 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 House of Commons has not kept proper accounting records, or if I have not received all the information and explanation I require for my audit.

I read the other information contained in the Foreword, 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 mis-statements or material inconsistencies with the financial statements.

I review whether the statement on pages 8 and 9 reflects the House of Commons' application, as best practice, of Treasury's guidance "Corporate Governance: Statement on Internal Control". I report if the statement does not reflect appropriate application of the Treasury guidance, 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 House of Commons in the preparation of the financial statements, and of whether the accounting policies are appropriate to the House of Commons' 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 mis-statement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I 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 House of Commons: Administration at 31 March 2002 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; and
- 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.

John Bourn
Comptroller and Auditor General

31 January 2003

National Audit Office
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London
SW1W 9SP

SCHEDULE 1

Summary of Resource Outturn
for the year ended 31 March 2002

		Estimate		2001–02		Outturn		Net total outturn compared with Estimate saving/ (excess)	2000–01 (unaudited) Prior Year Outturn
		Gross Expenditure 1	A in A* 2	NET TOTAL 3	Gross Expenditure 4	A in A* 5	NET TOTAL 6		
		£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources 1	(Note 9)	204,373	(5,638)	198,735	169,852	(5,485)	164,367	34,368	213,392
Request for Resources 2	(Note 4)	1,059	—	1,059	1,059	—	1,059	—	1,017
Total Resources		205,432	(5,638)	199,794	170,911	(5,485)	165,426	34,368	214,409
Non-Operating Cost Appropriations in Aid			(23)	(23)	—	(23)	(23)	—	(116)
Net Cash Requirement				141,110			132,508	8,602	159,466

Reconciliation of resources to cash requirement

	Note	£000	£000	£000	£000	
Net total resources			199,794	165,426	34,368	214,409
Capital:						
Acquisition of fixed assets	11 & 12		15,588	11,908	3,680	45,268
Non-Operating Cost A in A	5		(23)	(23)	—	(116)
Accruals adjustments:						
Non-cash items	3		(74,249)	(42,267)	(31,982)	(98,185)
Changes in working capital other than cash	13		—	(367)	367	(661)
Use of provision	18		—	(2,169)	2,169	(1,249)
Net cash requirement (Schedule 4)			141,110	132,508	8,602	159,466

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

A gain on the revaluation of Portcullis House was allocated to the operating costs in the year (see note 11).

Parliament was dissolved in May 2001, with a subsequent reduction in activity between the dissolution of the old parliament and the meeting of the new.

Explanation of the variation between Estimate and Outturn (net cash requirement):

Parliament was dissolved in May 2001, with a subsequent reduction in activity between the dissolution of the old parliament and the meeting of the new.

The notes on pages 19 to 37 form part of these accounts

Analysis of income payable to the Consolidated Fund

In addition to Appropriations in Aid, the following income relates to the House and is payable to the Consolidated Fund (cash receipts being shown in italics):

	<u>Note</u>	2001–02 Forecast		2001–02 Outturn	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£000	<i>£000</i>	£000	<i>£000</i>
Operating income and receipts — excess Appropriations in Aid	5	—	—	—	—
Non-operating income and receipts — excess Appropriations in Aid	5	—	—	9	9
Subtotal		—	—	9	9
Other operating income not classified as Appropriations in Aid		—	—	—	—
Other non-operating income not classified as Appropriations in Aid		—	—	—	—
Other amounts collectable on behalf of the Consolidated Fund		—	—	60	60
Excess cash receipts surrenderable to the Consolidated Fund		—	—	—	—
Total		—	—	69	69

Actual outturn — resources

Request for resources 1: Actual amount net resources outturn £164,366,858.24. Actual amount of savings in resources over Estimate £34,368,141.76.

Request for resources 2: Actual amount net resources outturn £1,059,000.00. Actual amount of savings in resources over estimate £nil.

Actual outturn — cash

Net cash requirement: Outturn net requirement £132,507,585.33 which is £8,602,414.67 less than the Estimate. Actual receipts surrenderable to the Consolidated Fund were £69,226.28.

SCHEDULE 2

Operating Cost Statement

For the year ended 31 March 2002

	Note	2001–02		2000–01 (Unaudited)	
		£000	£000	£000	£000
Administration Costs:					
Staff costs	2	44,822		41,762	
Other administration costs	3	125,030		177,691	
Gross Administration Costs			169,852		219,453
Operating income	5		(5,485)		(6,061)
Net Administration Costs			164,367		213,392
Programme Costs:					
Request for resources 2: Expenditure	4		1,059		1,017
Net Programme costs			1,059		1,017
NET OPERATING COST	7 & 8		165,426		214,409
NET RESOURCE OUTTURN	7		165,426		214,409

All income and expenditure are derived from continuing activities.

Statement of Recognised Gains and Losses
for the year ended 31 March 2002

	Note	£000	£000
Net gain on revaluation of tangible fixed assets	11	78,763	94,561
Receipt of donated assets	20	40	116
Total recognised gains and losses for the financial year		78,803	94,677

The notes on pages 19 to 37 form part of these accounts.

SCHEDULE 3

Balance Sheet

as at 31 March 2002

	Note	2001–02		2000–01 (Unaudited)	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	11	933,124		889,763	
Intangible assets	12	111		105	
			933,235		889,868
Current Assets					
Stocks and work in progress	14	369		789	
Debtors	15	5,254		5,492	
Cash at bank and in hand	16	1,553		5,541	
		7,176		11,822	
Current Liabilities					
Creditors (amounts falling due within one year)	17	(6,476)		(9,769)	
Net Current Assets			700		2,053
Total Assets less Current Liabilities			933,935		891,921
Provisions for Liabilities and Charges	18		(111,118)		(108,949)
			822,817		782,972
Taxpayers' Equity					
General Fund	19		611,181		595,556
Revaluation reserve	20		211,480		187,300
Donated assets reserve	20		156		116
			822,817		782,972

Roger Sands
Accounting Officer

29 January 2003

The notes on pages 19 to 37 form part of these accounts

SCHEDULE 4

Cash Flow Statement

For the year ended 31 March 2002

		2001–02	2000–01 (Unaudited)
		£000	£000
Net cash outflow from operating activities	Note a	(120,473)	(114,546)
Capital expenditure and financial investment	Note b	(12,026)	(44,920)
Receipts due to the Consolidated Fund which are outside the scope of the House's activities		60	361
Payments of amounts due to the Consolidated Fund		(2,601)	(3,785)
Financing	Note c	131,052	160,797
Decrease in cash during the period		(3,988)	(2,093)

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.

Note a — Reconciliation of operating cost to operating cash flows

	Note	£000	£000
Net operating cost		165,426	214,409
Adjustments for non cash transactions	3	(42,267)	(98,185)
Adjustments for movements in working capital other than cash	13	(517)	(429)
Use of provisions	18	(2,169)	(1,249)
Net cash outflow from operating activities		120,473	114,546

Note b — Analysis of capital expenditure and financial investment

	Note	£000	£000
Intangible fixed asset additions	12	88	158
Tangible fixed asset additions	11	11,970	44,878
Proceeds of disposal of fixed assets		(32)	(116)
Loans to other bodies		—	—
Repayment of loans to other bodies		—	—
Net cash outflow for capital expenditure and financial investment		12,026	44,920

The notes on pages 19 to 37 form part of these accounts

Note c — Analysis of financing and reconciliation to the net cash requirement

<u>Note</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
From the Consolidated Fund (Supply): current year		131,052	160,797
From Consolidated Fund (Supply): prior year		—	—
Advances from Contingencies Fund		—	6,400
Repayments of Contingencies Fund		—	(6,400)
Net Financing		131,052	160,797
Decrease in cash		3,988	2,093
= Net cash flows other than Financing		135,040	162,890
Adjustments for payments and receipts not related to supply			
Amounts due to the Consolidated Fund: received in a prior year and paid over			
Other Amounts	(2,541)		
CFERs	—	(2,541)	(3,424)
Amounts due to the Consolidated Fund: received not paid over			
Other Amounts	—	—	
CFERs	9	9	
= Net cash requirement for the year (Schedule 1)		132,508	159,466

(i) Amount of grant actually issued to support the net cash requirement = £131,052,000

SCHEDULE 5

Resources by Aims

For the year ended 31 March 2002

The House of Commons service has four permanent core tasks. These are to support the House and its Committees, support individual Members and their staff, provide information and access to the public and maintain the heritage of buildings, objects and documents.

	<u>Note</u>	<u>Gross £000</u>	<u>2001–02 Income £000</u>	<u>Net £000</u>
House of Commons objective	9 & 21	170,911	(5,485)	165,426

The notes on pages 19 to 37 form part of these accounts

Notes to the accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the House of Commons Resource Accounting Manual. Accounting Policies have been applied consistently in dealing with items considered material in relation to the accounts.

The House of Commons and the House of Lords hold joint stewardship of the Palace of Westminster. Responsibility for maintenance of the Palace and the remaining part of the parliamentary estate is a centralised function resting with the Parliamentary Estates Directorate within the Serjeant at Arms Department in the House of Commons. General estates expenditure is apportioned on a 60:40 split and individual maintenance and building projects, property rentals, etc are distinguished as shared on a 60:40 basis or solely apportioned to the House of Commons or House of Lords and recharged accordingly. Other shared costs appear on the Administration ledger. The House of Lords share is agreed, identified, and recharged accordingly.

The Record Office which maintains the parliamentary archives is a shared facility, from 1999 onwards all costs are split on a 40:60 ratio between the House of Commons and House of Lords.

In addition to this, arrangements for security are agreed jointly by authorities of the House of Commons and House of Lords with the Metropolitan Police. These costs are also monitored jointly by the authorities in the two Houses but are billed individually to the House of Commons or House of Lords in a pre-determined ratio. (2001–02 House of Commons: House of Lords = 69: 31).

1.1 Accounting convention

These accounts have been prepared under the modified historical cost method of accounting for fixed assets. Stocks, where material, are accounted for at their value to the business by reference to their current cost.

1.2 Basis of Consolidation

These accounts comprise a consolidation of expenditure on administration; including staff, information systems, security, broadcasting, publicity, stationery, printing, catering, accommodation services and a grant in aid to the History of Parliament Trust.

1.3 Tangible fixed assets

Tangible assets have been stated at current cost. Equipment, computers and furniture have been valued using appropriate indices from the historical tables 1 and 4 of the Office of National Statistics publication MM17 “Price index numbers for current cost accounting” and antique furniture and heritage silver are at a professional valuation.

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

Title to freehold land and buildings is held as follows:

- (a) The Palace of Westminster, title to which is held by the Queen;
- (b) Property on the parliamentary estate, title to which is held by the Corporate Officer of the House of Commons.

Freehold Properties

The Palace of Westminster is revalued every year and all other freehold properties of the parliamentary estate are subject to full revaluation every five years and an interim valuation every year. The valuations are undertaken by the District Valuers of the Valuation Office Agency in accordance with Financial Reporting Standard 15 and the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors and are subject to instructions issued by the House of Commons.

Notes to the Accounts—continued

Properties regarded by the House of Commons as operational are valued on the basis of Existing Use Value or, where this could not be assessed because there was no market for the subject asset, on a Depreciated Replacement Cost (DRC) basis. Properties regarded by the House of Commons as non-operational were valued on the basis of Open Market Value. Where a depreciated replacement cost figure has been provided, the valuation certificate also provides an open market valuation (allowing for alternative uses) and this produces amounts significantly lower than the DRC figures.

Antique Furniture

The antique furniture was professionally valued at 31 March 1998. Each year the Furniture Manager in the Parliamentary Works Services Directorate carries out an internal review to assess if any material revaluation adjustment is required.

Speaker's Silver

The Speaker's silver is re-valued on an Open Market Value basis every five years unless there is a material change of value in the interim period.

Plant and Machinery

Plant and Machinery includes the great clock mechanism; Refreshment Department kitchen equipment and vehicles. The Great Clock is re-valued every five years on a replacement cost basis in accordance with Financial Reporting Standard 15.

Non Operating Heritage Assets

In addition to the operational heritage assets such as the Palace of Westminster, the great clock, the Speaker's Silver, and antique furniture, the House of Commons holds significant collections of art, parliamentary archives, antiquarian books and the Speaker's State Coach.

Parliamentary art collection

The House of Parliament art collection consists of works of art and statuary collected since 1841 depicting parliamentary institutions and statesmen and women. The collection originally consisted of works of art commissioned by the Fine Arts Commission, with the purpose of bringing the history of the nation to life on the walls of the grand interiors of the Houses of Parliament. Many of the works added later to the collection were acquired as donations from Members of both Houses. Until 1991 the collection was held jointly by both Houses of Parliament, at that date works were nominally split between the two Houses on the basis of where works were situated at that date. However, this split did not necessarily reflect actual ownership at the date of acquisition or the locations for which works were originally commissioned or intended and therefore the total size of the collection is given in Note 11.

In accordance with the Resource Accounting Manual, the value of the parliamentary art collection as at 31 March 2000 is not included on the balance sheet. New House of Commons additions from 1 April 2000 are valued at cost. Further details of the contents of the art collection can be found in Note 11.

Parliamentary archives

The parliamentary records archive comprises several million documents that have been preserved at the Palace of Westminster from 1497 to date in a variety of formats from medieval vellum and parchment to modern computer disk. Parliamentary records prior to 1497 are held by the Public Record Office and form part of the National Archive. Most of the records are unique and irreplaceable and have been preserved for their historical, legal and administrative value. The Record Office was established within the House of Lords in 1946 and costs have been shared with the House of Commons from 1999.

Notes to the Accounts—*continued*

In accordance with the requirements of the Resource Accounting Manual, the value of the parliamentary archives is not included on the balance sheet, but new acquisitions from 1 April 2000 are valued at cost. The Record Office produces an Annual Report which lists accessions in the year and which acts as a supplement to the publication: Guide to the Records of the Parliaments which describes the archive as at 1971.

Antiquarian books

In addition to the current working collection of books and monographs the House of Commons Library holds a large collection of antiquarian books. The collection includes volumes dating back to the sixteenth century, although the majority of the collection dates from the eighteenth century or later.

In accordance with the requirements of the Resource Accounting Manual, the value of the antiquarian books is not included on the balance sheet, but new acquisitions from 1 April 2000 are valued at cost.

The Speaker's State Coach

The Speaker's State Coach is a late seventeenth century giltwood and painted carriage which has not been used for some time and is not currently in a roadworthy condition. In accordance with the Resource Accounting Manual it has not been valued, because it would be difficult to obtain a reliable valuation.

Investment Properties

The House of Commons holds three interests in land and buildings which are classified as investment properties because they are held for investment potential with the rental income being negotiated at arm's length. These properties are the car park at Abingdon Street, 11 Bridge Street and Units A, B and C in Portcullis House.

1.4 Depreciation

Depreciation is charged to expenditure, on the re-valued amount of assets. An element of the depreciation therefore arises due to the increase in valuation and is in excess of the depreciation that would be charged on the historical cost of the assets. The amount relating to this excess is a realised gain in revaluation and is transferred from the Revaluation Reserve to the General Fund.

Depreciation is charged on a straight line basis with the exception of Library books which are calculated on a reducing balance basis.

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, with the exception of heritage assets with an estimated life of more than 200 years. The heritage assets are not depreciated (as per FRS 15) because the long remaining life or high residual value of the asset makes any such charge immaterial. The Palace and other freehold land and buildings have been revalued by a professional valuer, and the revalued amount included in the accounts. Capital works on leasehold property are amortised on a straight line basis over the lease period.

Notes to the Accounts—continued

For accounting purposes the lives are in the following ranges:

Land and Buildings Residual Lives

Land	N/A
Palace of Westminster	96 years
Freehold property (excluding Portcullis House)	20–42 years
Portcullis House	60–86 years
Leasehold property	23 years

Other Tangible Fixed Assets

Furniture — standard	10 years
Furniture — antique	400 years
Plant & Machinery — Great Clock mechanism	400 years
Other Plant and Machinery	4–5 years
Works of Art	400 years
Fixtures and fittings — standard	10 years
Fixtures and fittings — antique	400 years
General office equipment	3–5 years
Library books	10 years
Computer file servers	5 years
Computer equipment (excluding file servers)	3 years
Broadcasting equipment	10 years
Telephone equipment	5 years

1.5 Donated Assets

Donated tangible fixed assets are capitalised at their valuation on receipt, and this value is credited to the donated assets reserve. Subsequent revaluations are also taken to this reserve.

Donated assets comprise of works of art only and will not be subject to a depreciation charge in line with House policy on works of art (see note 1.3).

1.6 Intangible fixed assets

Intangible fixed assets are licences for software that have been provided by third parties, costing in excess of £1,000. Software licences are capitalised and amortised over the expected useful life of the software.

1.7 Investments

The House of Commons holds short term current investments. These are all held in cash and are included in the “Bank and Cash in Hand” figures. Interest receivable is treated as operating income.

1.8 Stocks and work in progress

Stocks and work in progress are valued as follows:

- finished goods and goods for resale are valued at cost or, where materially different current replacement cost, and at net realisable value only when they either cannot or will not be used;
- work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

1.9 Research and development

The House of Commons did not engage in research and development activity during the financial year 2001–02.

1.10 Operating Income

Operating income is income which relates directly to the operating activities of the House of Commons. It principally comprises private bill fees, royalties and the sale of refreshments, books, videos and souvenirs.

Notes to the Accounts—continued

The Refreshment Department has money invested on short term in the money market. Interest received is treated as operating income and is included in the operating cost statement.

Operating income includes income appropriated in aid.

1.11 Administration and programme expenditure

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the costs of running the House of Commons, together with associated operating income. Income is analysed between that which is allowed to be offset against the gross administrative cost and that which is not.

Programme costs reflect non-administration costs, consisting of a grant to the History of Parliament Trust.

1.12 Capital charge

A charge, reflecting the cost of capital utilised by the House of Commons, is included in operating costs. The charge is calculated at the Government's standard rate of 6% on all assets less liabilities, except for heritage assets, donated assets and cash balances with the Office of the Paymaster General (OPG), where the charge is nil. Additions to collections i.e. works of art, archives, antiquarian books, etc are also exempt from the capital charge.

1.13 Foreign exchange

Transactions which are denominated in foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction.

1.14 Pensions

Present and past employees are covered by the provisions of the House of Commons Staff Pension Scheme (HOCSPS) which is non-funded. The Scheme is a defined benefit scheme and liability for payment of future benefits is a charge to the House of Commons. The cost of pension provision for the staff employed by the House of Commons is calculated on an accruing basis.

1.15 Early departure costs

The House of Commons meets the cost of benefits beyond HOCSPS benefits in respect of employees who retire early. These costs are identified separately in the accounts.

1.16 Leases

All costs of operating leases are charged to the Operating Cost Statement as incurred. There were no finance leases.

1.17 Private Finance Initiative (PFI) transactions

The House of Commons has no PFI transactions.

1.18 Grants Payable

The House of Commons provides a grant in aid to the History of Parliament Trust.

1.19 Provisions

The House of Commons makes provision for early departure costs. The provision is based on the previous year's payment plus an estimate of expected early departures at an average salary rate.

Notes to the Accounts—continued**1.20 VAT**

Most of the activities of the House of Commons are outside the scope of VAT, and in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.21 Third-Party assets

The House of Commons holds third party assets in the form of gratuities and service charges on behalf of Refreshment Department staff.

1.22 Prior year comparatives

The prior year comparatives disclosed in the financial statements are unaudited, given that 2001–02 is the first year in which the House of Commons has produced resource accounts.

2. Staff numbers and costs**A. Staff costs consist of:**

	Total 2001–02	Total 2000–01 (Unaudited)
	£000	£000
Wages and salaries	36,024	33,920
Social security costs	2,570	2,493
Other pension costs	6,228	5,349
Total	44,822	41,762

For 2001–02 contributions of £6,037,357.18 were accrued to the HOCSPS Pensions Fund at a rate determined by the Government Actuary. This rate was 17.1% of pensionable pay.

Pension benefits are provided through the House of Commons Staff Pension Scheme (HOCSPS). This is a defined benefit, non-funded scheme which provides benefits on a “final salary” basis at a normal retirement age of 60. 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% of pensionable earnings in respect of widow and dependant benefits. Pensions increase in payment in line with the Retail Price Index. 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.

Where the payroll costs of staff on works services, paid by the House of Commons, are shared between the House of Commons and the House of Lords, the whole of the pension provision falls on the House of Commons (see below).

B. The average number of whole-time equivalent persons employed (including senior management) during the year was as follows (this includes 100% of Parliamentary Works Directorate Staff, 40% of whose salary costs are met by the House of Lords):

	2001–02 Number	2000–01 Number
Average Number	1,399	1,370

Notes to the Accounts—continued

C. The salary and pension entitlements of the members of the Board of Management were as follows:

Name	Age	Salary (as defined below) £000	Real increase in pension at age 60 £000	Total accrued pension at age 60 at 31/03/02 £000	Benefits in Kind (Rounded to nearest £100)
Sir William McKay	62	130–135	2.5–5.0	65–70	£14,700
Priscilla Baines	59	75–80	2.0–2.5	35–40	—
Michael Cummins	62	75–80	0.0–2.5	15–20	£11,400
Ian Church	60	80–85	2.0–2.5	35–40	—
Sue Harrison	44	70–75	0.0–2.5	05–10	—
Andrew Walker*	47	80–85	n/a*	n/a*	—
George Cubie	58	90–95	2.0–2.5	40–45	—

*Andrew Walker is on secondment from the Inland Revenue; the House of Commons is recharged with the direct employment costs. He is not part of the House of Commons Staff Pension Scheme.

(a) “Salary” includes gross salaries, performance bonuses payable, reserved rights to London weighting or London allowances, recruitment and retention allowance.

(b) The estimated monetary value of benefits in kind covers any benefits provided and treated by the Inland Revenue as taxable. These figures represent the benefit from the official residences that the officers are required to use in the course of their duties.

3. Other administration costs

Note	2001–02		2000–01 (Unaudited)	
	£000	£000	£000	£000
Rentals under operating leases				
Photocopier Rental	591		565	
Buildings Rental	5,494		5,827	
		6,085		6,392
Cash items				
Other staff costs	1,150		1,814	
Travel and subsistence	2,084		2,538	
Information	10,537		12,268	
Broadcasting	110		148	
Communications	6,403		6,174	
Computer	3,352		3,061	
Office supplies	2,124		1,838	
Finance and specialist services	2,184		8,516	
Accommodation services	35,838		24,613	
Security	12,896		12,144	
		76,678		73,114
Non-cash items:				
Depreciation and amortisation of fixed assets:				
Tangible fixed assets	11	12,840	10,516	
Intangible fixed assets	12	82	53	
Loss on disposal of fixed assets	11	294	12	
Cost of capital charge	19	48,283	44,595	
Auditor’s remuneration and expenses		135	118	
Loss on Revaluation of fixed assets	11	342	42,891	
Gain on Revaluation of fixed assets	11	(19,709)	—	
		42,267		98,185
Total		125,030		177,691

Notes to the Accounts—continued

4. Net programme costs

	2001–02	2000–01 (Unaudited)
	<u>£000</u>	<u>£000</u>
Grant to History of Parliament Trust	1,059	1,017

5. Operating income

	2001–02		2000–01 (Unaudited)	
	Netted off gross expenditure in sub-head	Appropriated -in-aid	Income included in operating cost statement	Income included in operating cost statement
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Operating income analysed by classification and activity, is as follows:				
Administration income:				
Other classes				
Staff Related Receipts	—	413	413	298
Fees on Private Bills	—	16	16	51
Reimbursement from HOL/ Other Govt dept	—	1,593	1,593	1,933
Rental receipts and associated charges	—	720	720	456
Receipts from sales	—	2,659	2,659	2,858
Investment Income	—	84	84	78
Other Receipts	—	—	—	387
	<u>—</u>	<u>5,485</u>	<u>5,485</u>	<u>6,061</u>

All rental receipts are derived from operating leases.

Non-operating income classified as A in A

	2001–02	2000–01 (Unaudited)
	<u>£000</u>	<u>£000</u>
Sales of surplus furniture and equipment	23	116
	<u>23</u>	<u>116</u>

6. Administration cost limits

The House of Commons is outside of the administration cost control regime.

7. Reconciliation of net operating cost to net resource outturn

	2001–02	2000–01 (Unaudited)
	<u>£000</u>	<u>£000</u>
Net operating cost	165,426	214,409
Operating income not classified as A in A	—	—
Net resource outturn	<u>165,426</u>	<u>214,409</u>

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 that are subject to parliamentary approval and included in the House of Commons Supply Estimate. The outturn against the estimate is shown in the summary of resource outturn (Schedule 1).

Notes to the Accounts—*continued*

8. Analysis of net operating cost by spending body

	2001–02		2000–01
	Budget	Outturn	(Unaudited)
	£000	£000	Outturn
House of Commons Commission	199,794	165,426	214,409

9. Analysis of net resource outturn and net operating cost by function

	Gross Resource Expenditure £000	A in A £000	2001–02		Net Total Outturn compared with estimate £000
			Net Total	Estimate	
			£000	£000	
Request for resources 1	169,852	(5,485)	164,367	198,735	
Request for resources 2	1,059	—	1,059	1,059	
Resource outturn	170,911	(5,485)	165,426	199,794	(34,368)
Non A in A operating income	—	—	—		
Gross Operating expenditure	170,911				
Operating Income		(5,485)			
Net operating cost			165,426		

10. Analysis of Capital Expenditure, Financial Investments and Associated A in A

	Note	Capital	Loans etc	A in A	Net Total
		expenditure	£000	£000	£000
Request for resources 1	11	11,820	—	(23)	11,797

Notes to the Accounts—continued

11. Tangible fixed assets

as at 31 March 2002

	Land & Buildings	Antique and other furniture	Speakers Silver	Parliamentary art collection	Plant and Machinery	Equipment and computers	New financial information system under construction	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
Cost at 1 April 2001	1,277,389	29,428	1,951	308	1,783	12,582	—	1,323,441
Additions	8,214	572	—	101	—	2,262	671	11,820
Donations	—	—	—	40	—	—	—	40
Disposals	(523)	—	—	—	—	(1,468)	—	(1,991)
Relifed/Revalued	—	—	—	—	—	122	—	122
(Loss) on Revaluation	(7,859)	(30)	—	—	—	(342)	—	(8,231)
Gain on Revaluation	98,253	—	—	—	—	97	—	98,350
At 31 March 2002	1,375,474	29,970	1,951	449	1,783	13,253	671	1,423,551
Depreciation								
At 1 April 2001	420,294	5,008	—	—	64	8,312	—	433,678
Charge in the year	10,253	463	—	—	5	2,119	—	12,840
Disposals	(245)	—	—	—	—	(1,379)	—	(1,624)
Revaluation	50,166	—	—	—	—	—	—	50,166
Write back due to revaluation	(4,675)	—	—	—	—	42	—	(4,633)
At 31 March 2002	475,793	5,471	—	—	69	9,094	—	490,427
NBV at 31 March 2002	899,681	24,499	1,951	449	1,714	4,159	671	933,124
NBV at 31 March 2001	857,095	24,420	1,951	308	1,719	4,270	—	889,763

Analysis of Land and Buildings

Analysed into Freehold, Long Leasehold, Short Leasehold, Refurbishment and Investments

	Land		Buildings			Refurbishment	Buildings Investments	Total
	Freehold	Long Leasehold	Freehold	Long Leasehold	Short Leasehold	£000	£000	£000
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2001	179,359	145	1,075,655	215	13,265	—	8,750	1,277,389
Additions	—	—	1,487	—	447	6,280	—	8,214
Donations	—	—	—	—	—	—	—	—
Disposals	—	—	—	—	(523)	—	—	(523)
Relifed/Revalued	—	—	—	—	—	—	—	—
Loss on Revaluation	(5,788)	—	(2,071)	—	—	—	—	(7,859)
Gain on Revaluation	419	21	97,779	34	—	—	—	98,253
At 31 March 2002	173,990	166	1,172,850	249	13,189	6,280	8,750	1,375,474
Depreciation								
At 1 April 2001	—	—	408,169	9	12,116	—	—	420,294
Charge in the year	—	—	9,351	11	891	—	—	10,253
Disposals	—	—	—	—	(245)	—	—	(245)
Revaluation	—	—	50,166	—	—	—	—	50,166
Write back due to revaluation	—	—	(4,666)	(9)	—	—	—	(4,675)
At 31 March 2002	—	—	463,020	11	12,762	—	—	475,793
NBV at 31 March 2002	173,990	166	709,830	238	427	6,280	8,750	899,681
NBV at 31 March 2001	179,359	145	667,486	206	1,149	—	8,750	857,095

Notes to the Accounts—continued

For details on accounting policies for fixed assets, depreciation and revaluation please see notes 1.3, 1.4 and 1.5.

Parliamentary estate

An interim valuation was conducted by a Fellow of the Royal Institute of Chartered Surveyors, please see note 1.3 for the basis of valuation.

The Palace of Westminster and the special adaptations to Portcullis House were re-valued using the Depreciated Replacement Cost method. The total value of the Palace and the Portcullis House adaptations at 31 March 2002 were £939,000,000 (House of Commons share £563,400,000) and £128,500,000 respectively. The special adaptations to Portcullis House included sound and television broadcasting facilities and design enhancements to protect the building's structural integrity in the event of bomb or missile attack. The investment properties were valued at £8,750,000 using Open Market Values as at 31 March 2002. The remaining parliamentary estate assets were valued at £201,612,761 (House of Commons share £199,031,122) as at 31 March 2002 using Existing Use Value.

Antique furniture

Antique furniture value is based on a professional valuation carried out at 31 March 1998. The Furniture Manager for the Parliamentary Works Services Directorate performs a yearly internal review of the antique furniture to identify if any revaluation adjustment is required. For the year ended 31 March 2002, he concluded that no adjustment was required and the value of antique furniture brought forward at 1 April 2000 remained at £39,978,362 (House of Commons share £22,509,212).

Speaker's Silver

The Speaker's Silver is revalued using the Open Market Value method. The total value at 21 July 2000 was £1,950,711.89. For the year ended 31 March 2002, it was concluded that no adjustment was required.

The Great Clock

The clock was last valued as at 2 July 1998 on a replacement cost basis by Thwaites and Reed of London Limited at £2,850,000 (House of Commons share £1,710,000).

Non-operational heritage assets

The objects in the parliamentary art collection are owned jointly by the House of Commons and the House of Lords and are classified as non-operational heritage assets. Those objects that entered the collection prior to 31 March 2000 were not included on the balance sheet and can be classified as follows:

	<u>No.</u>
Paintings & prints	4,796
Busts	170
Medieval Statuary	6
Murals & mosaics	122
Tapestries	9
	<u>5,103</u>

and assets donated to the collection prior to 31 March 2000, numbered:

Paintings & prints	1,534
Busts & statues	49
Murals & mosaics	17
Tapestries	1
	<u>1,601</u>

Notes to the Accounts—continued

Since 1 April 2000 additions to the parliamentary art collection are capitalised and included in the table of fixed assets, these additions are recorded separately between the House of Commons and House of Lords accounts in accordance with their acquisition.

Treatment of fixed asset additions

	<u>£000</u>	<u>£000</u>
Total additions		11,820
Movement in Creditors		
Balance at 31 March 2001	232	
Balance at 31 March 2002	82	150
Cash Fixed Asset Additions		<u>11,970</u>

Treatment of revaluation losses

	<u>£000</u>
Amounts charged to Operating Costs	(342)
Amounts realised against revaluation reserve	<u>(7,889)</u>
	<u>(8,231)</u>

Treatment of revaluation gains

Revaluation gains are credited to the revaluation reserve, except where they reverse a previous loss on revaluation that had been charged to operating costs.

There was a revaluation loss on Portcullis House on the date of completion. This is being reversed by subsequent gains.

	<u>£000</u>
Revaluation loss on Portcullis House during 2000–01	(40,618)
Gain in 2001–02 (taken to operating cost)	20,043
Backlog Depreciation on Portcullis House	<u>(334)</u>
Loss carried forward to offset against future gains	<u>(20,909)</u>

Calculation of disposal losses

	<u>£000</u>
Total disposals	1,991
Accumulated depreciation	(1,624)
Unrealised element of revaluation	<u>(73)</u>
(Profit)/Loss	<u>294</u>

£32,000 of income was collected in 2001–02 in respect of the sale of a number of items of furniture and equipment.

Movement in revaluation reserve within the current year:

	<u>£000</u>	<u>£000</u>
Revaluation gain during the year	98,350	
Relief/revaluation	122	
Gain taken to Operating Costs	(19,709)	78,763
Less		
Revaluation loss netted against reserve		(7,889)
Net back log depreciation		(45,533)
Unrealised element of disposals		<u>(73)</u>
		25,268
Transfer realised element to General Fund (note 20)		<u>(1,088)</u>
		<u>24,180</u>

Notes to the Accounts—*continued*

12. Intangible fixed assets

	Computer software licences
	£000
Cost or valuation	
At 1 April 2001	158
Additions	88
Disposals	—
Revaluation	—
At 31 March 2002	246
Amortisation	
At 1 April 2001	53
Charged in year	82
Disposals	—
Revaluation	—
At 31 March 2002	135
Net book value at 31 March 2002	111
Net book value at 31 March 2001	105

13. Movements in working capital other than cash

	£000
(Decrease)/increase in debtors	(238)
(Decrease)/increase in stock	(420)
(Increase)/decrease in creditors	291
	(367)
(Decrease)/increase in capital creditors	(150)
	(517)

14. Stock and work in progress

	as at 31 March 2002	as at 31 March 2001 (unaudited)
	£000	£000
Stocks	369	789

15. Debtors

	as at 31 March 2002	as at 31 March 2001 (unaudited)
	£000	£000
Amounts falling due within one year		
Trade Debtors	1,128	1,321
Deposits and Advances	247	221
VAT and other taxes	1,964	2,207
Other Debtors	77	450
Prepayments and accrued income	1,838	1,293
	5,254	5,492

Notes to the Accounts—*continued*

16. Cash at bank and in hand

	as at 31 March 2002	as at 31 March 2001 (unaudited)
	£000	£000
Balance at 1 April	5,541	7,634
Net cash outflow	(3,988)	(2,093)
Balance at 31 March	1,553	5,541

The Office of HM Paymaster General (OPG) provides a current account banking service.

The following balances are held at 31 March:

Balances at OPG	(1,614)	3,229
Commercial banks and cash in hand	167	162
Investment account	3,000	2,150
	<u>1,553</u>	<u>5,541</u>

The balance at 31 March comprises:

Cash due to be paid to the Consolidated Fund	—	—
Amounts issued from the Consolidated Fund but not spent at year end	1,544	5,541
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	9	—
Other payments due to be paid to the Consolidated Fund	—	—
	<u>1,553</u>	<u>5,541</u>

17. Creditors: amounts falling due within one year

	as at 31 March 2002	as at 31 March 2001 (unaudited)
	£000	£000
Other tax and social security	21	20
Trade creditors — current	2,141	2,542
Trade creditors — capital	82	232
Members	152	118
Other Creditors	287	280
Accruals and deferred income	2,240	2,022
	<u>4,923</u>	<u>5,214</u>
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,544	4,555
Consolidated Fund extra receipts received and receivable due to be paid to the Consolidated Fund	9	—
	<u>6,476</u>	<u>9,769</u>

Notes to the Accounts—*continued***18. Provisions for liabilities and charges**

The provision for future pension payments and early departure costs are as follows:

	Pensions	Early Departure Costs	Total
	£000	£000	£000
Balance at 1 April 2001	108,930	19	108,949
Provision in year	6,037	191	6,228
(Payments in year)	(5,778)	(71)	(5,849)
Transfers In	1,049	—	1,049
Other receipts in year	741	—	741
Balance at 31 March 2002	<u>110,979</u>	<u>139</u>	<u>111,118</u>

A full actuarial valuation was carried out at 31 March 2000 by the Government Actuary's Department. The major assumptions used by the actuary were the following percentages above inflation:

	at 31 March 2000
Rate of increase in salaries	2.0%
Rate of increase in pensions in payment	2.0%
Rate used to discount scheme liabilities	3.5%

Where the payroll costs of staff paid by the House of Commons are shared between the House of Commons and the House of Lords, the whole of the pension provision falls on the House of Commons.

The House meets the additional costs of benefits beyond the normal HOCSPS benefits in respect of employees who retire early by transferring the required amounts annually to the HOCSPS over the period between early departure and normal retirement age. The House provides for this in full when the early departure programme becomes binding on the House by establishing a provision for the estimated payments discounted by 6% in real terms.

Other receipts include contributions for widow(er)s benefits and reimbursements from other organisations.

Notes to the Accounts—continued

19. Reconciliation of net operating cost to changes in general fund

	<u>£000</u>	<u>£000</u>
Net operating cost for the year (schedule 2)	(165,426)	
Non-operating cost Appropriations in Aid	32	
		(165,394)
Net parliamentary funding		131,052
Previous year grant transferred		1,483
Transferred to general fund of realised element of revaluation reserve		1,088
Consolidated Fund creditor for cash unspent		(1,553)
Non cash charges		
Cost of capital	48,283	
Auditors' fee	135	
		48,418
Transitional adjustments		531
Net increase in general fund		15,625
General fund at 1 April 2001		595,556
General fund at 31 March 2002		611,181

20. Reserves

Revaluation Reserve

	<u>Investment Properties</u>	<u>Other Fixed Assets</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balance at 1 April 2001	4,188	183,112	187,300
Arising on revaluation during the year	—	25,268	25,268
Transferred to general fund in respect of realised element of revaluation reserve	—	(1,088)	(1,088)
Balance at 31 March 2002	4,188	207,292	211,480

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets). The negative revaluation on the equipment, furniture and computers has been charged to the Operating Cost Statement.

Donated Asset Reserve

	<u>£000</u>
Balance at 1 April 2001	116
Additions during the year	40
Release to the general fund	—
Balance at 31 March 2002	156

The donated asset reserve reflects the net book value of assets donated to the House of Commons since 1 April 2000.

21. Notes to Schedule 5

The House's capital is employed exclusively for administrative purposes.

The House of Commons service has four strategic objectives, which have been agreed by the House of Commons' Commission:

Supporting the House and its committees

Supporting individual Members (and their staff)

Providing information and access to the public

Maintaining the heritage of buildings, objects and documents

Notes to the Accounts—continued

Procedures for apportioning costs are being developed and a complete schedule 5 is expected for the year 2003–04.

Further information on the strategic objectives may be found in the Commission's annual report, pages 23–26 (para. 14–35).

The net resource outturn against these objectives is:

£000
165,426

22. Capital commitments

	2001–02	2000–01
	£000	(unaudited)
	£000	£000
Contracted capital commitments at 31 March 2002 for which no provision has been made	5,136	3,852

23. Commitments under 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.

	2001–02	2000–01
	£000	(unaudited)
	£000	£000
Obligations under operating leases comprise:		
Land & Buildings:		
Expiry within one year	—	340
Expiry within two to five years	—	—
Expiry thereafter	5,647	5,686
	5,647	6,026
Other:		
Expiry within one year	—	—
Expiry within two to five years	429	955
Expiry thereafter	48	288
	477	1,243

24. Commitments under PFI contracts

The House of Commons has not entered into any PFI contracts in 2001–02.

25. Other financial commitments

The House of Commons has no other financial commitments.

26. Contingent liabilities**Indemnities for Works of Art**

The House of Commons has works of art on loan from various collections, these are indemnified to the value of £5,800,000, this is an estimate of the value of works of art previously on loan plus any current year additions.

Notes to the Accounts—*continued***Personal Injuries**

The House of Commons has a number of personal injuries claims outstanding, if all of these claims were successful the total liability would be £250,000.

27. Related-party transactions

The House of Lords and the House of Commons share some buildings and services. These include the Palace of Westminster, the Parliamentary Estates Directorate, the Parliamentary Works Services Directorate, the Parliamentary Communications Directorate and the Parliamentary Archives.

These joint arrangements are charged between the two Houses on an agreed percentage basis of underlying costs for each service (certain accommodation and overhead costs are excluded). Each House includes their share of the relevant asset base and/or service cost in their Resource Accounts. The percentage for each House for the key areas is as follows:

Service	House of Lords	House of Commons
Accommodation and works services	40%	60%
Communications services	15%	85%
Archives	60%	40%
Broadcasting services	40%	60%

As at 31 March 2002, the balance relating to accommodation and works services owed to the House of Lords was £563,000, in relation to other shared services the balance owed to the House of Commons was £213,000. The total amount of expenditure incurred by the House of Commons on behalf of the House of Lords was £22,756,000. The House of Lords incurred £376,000 of expenditure on behalf of the House of Commons during 2001–02. No balance was owed at year end.

The House of Commons also provides accounting services to the History of Parliament Trust and the British Irish Inter-Parliamentary Body (BIIPB). The House made payments of £115k on behalf of the BIIPB in 2001–02. At the year end, the balance due from BIIPB in respect of 2001–02 expenditure was £17k.

The House of Commons also administers the pay, allowances and IT of Members of Parliament, which are accounted for in the House of Commons: Members' Resource Accounts.

28. Financial instruments

FRS13 (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. The House of Commons has limited exposure to risk in relation to its activities.

Liquidity risk

The House of Commons is financed by resources voted annually by Parliament. As such it is not exposed to significant liquidity risks.

Interest rate risk

All of the House's financial assets and liabilities carry nil or fixed rates of interest. The House is not therefore exposed to significant interest rate risk.

Foreign currency risk

Foreign currency would not usually form part of the House's assets or liabilities and as such it is not exposed to any significant foreign currency risks.

Notes to the Accounts—*continued***29. Third party assets**

The House of Commons holds the following third party assets:

Gratuities and Service Charges

£000

21

30. Entities within the boundary

The House of Commons has no relevant entities within its boundary.

31. Losses and Special Payments

Hand-over of the site of the New Parliamentary Building (Portcullis House) from London Underground was due in February 1997. However, the site was only partially handed over in January 1998. The delay caused additional expenditure to be incurred by the House in compensating contractors who were unable to commence work at the agreed time and hence suffered extra costs such as storage costs of prefabricated items; this additional expenditure has been treated as a loss. At 31 March 2002, quantifiable losses of £4,736,749 have been identified. Further losses have arisen on consultants but have not yet been quantified. Compensation is being sought from London Underground. Payment is anticipated when the amount of compensation has been agreed.

The contract for the refurbishment of the Main Boiler House, a joint project with the House of Lords, was let to Argent Building Services Ltd on 3 February 2000, following an OJEC Advertisement and a competitive tender exercise, and was determined on 26 July 2000, owing to the contractor, Argent Building Services Ltd, having gone into administrative receivership. The cost implications of Argent Building Services Ltd's liquidation are expected to be £225,606 in total. The House of Commons share is expected to be £135,364.

There were additional losses of £63,462 incurred during the financial year

32. Post Balance Sheet Events

The following non-adjusting post balance sheet events occurred:

A new payroll system, Agresso, was introduced in June 2002, as part of an ongoing project to replace the accounting systems of the House of Commons. The development costs for this up to 31 March 2002 are included in note 11.

A new Clerk of the House, Roger Sands, was appointed from 1 January 2003.