

The **HOUSE of
COMMONS:
Administration
Resource Accounts
2004–05**

(For the year ended 31 March 2005)

*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 2004–05

Foreword to the Accounts

For the year ended 31 March 2005

Scope of the accounts

The Supply Estimate covers:

- the main salary costs of the staff of the House of Commons and the Office of the Speaker;
- the costs of the associated general expenses of the House of Commons service including stationery, printing costs, broadcasting, IT, catering and accommodation services;
- some travel costs of Members of Parliament in connection with select committees and delegations to international parliamentary assemblies; and
- a grant-in-aid paid to the History of Parliament Trust.

The main cost of Members' salaries and allowances are accounted for separately and reported in the House of Commons Members Resource Accounts.

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.

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 its Commission. Whenever feasible 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 running costs are monitored jointly but 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. As an employer, the House of Commons Commission recognises and values the diversity of its staff and is committed to fairness and best practice.

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 reviewing the performance of each Department of the House and their outline plans for the future. 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 House of Commons service. The Annual Report of the Administration Estimate 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 27th Annual Report of the House of Commons Commission for 2004-05 (HC65). The financial 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, 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.

The Commission agreed at its meeting on 19 April 2004 to move to a full ‘net running cost’ regime for 2004-05 et seq under the powers conferred by the House of Commons (Administration) Act 1978, as amended by the Government Resources and Accounts Act 2000 and endorsed by the Appropriation Act 2004, to retain income received during the year. The Commission further agreed to a general direction to achieve this.

The net resource underspend was £1.6 million (0.8%) less than the Estimate. The main variances that contributed to the underspend were:

- timetable slippages at the year end against some IT projects gave rise to a £1.2 million underspend;
- a reduction in the number of UK conferences and the venues for overseas travel being nearer to the UK reduced travel and subsistence by £0.4 million.

The cash underspend was £3.9 million (2.6%) less than the Estimate. This primarily arose from the cash flow benefit gained from a movement on a shared service debtor of £2.7 million not known at the time the original Estimate was laid.

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 Estimate for the House administration.

The membership of the House of Commons Commission is composed according to section 1 (2) of the House of Commons (Administration) Act 1978. During the financial year the membership of the Commission was:

The Rt Hon Michael J Martin MP	Speaker (Chairman) (<i>by virtue of his office</i>)
The Rt Hon Peter Hain MP	Leader of the House of Commons (<i>by virtue of his office</i>)
Mr Oliver Heald MP	nominated by the Leader of the Opposition
Sir Stuart Bell MP	also Chairman of the Finance and Services Committee
Sir Archy Kirkwood MP	
Sir Patrick Cormack MP FSA	

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. At the start of the financial year, members of the Board of Management were as follows:

Roger Sands	Clerk of the House, Chief Executive, Chairman of the Board of Management
Priscilla Baines	Librarian
George Cubie	Clerk of Committees
Sir Michael Cummins	Serjeant at Arms
Bill Garland	Editor of the Official Report
Sue Harrison	Director of Catering Services
Andrew Walker	Director of Finance and Administration

Both Sir Michael Cummins and Priscilla Baines retired on 31 December 2004 and were replaced by Peter Grant Peterkin and John Pullinger respectively.

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. Appointments may be terminated according to the rules and procedures laid down in the conditions of service for House of Commons staff.

Remuneration report

(i) Remuneration policy

The House of Commons Commission has delegated to the Clerk of the House responsibility for ensuring that staff complementing, grading, pay, pension rights and conditions of service of staff in departments are broadly in line with those of the Home Civil Service. The level of remuneration of the senior officials is determined by the Chief Executive on the recommendations of a Senior Pay Panel.

(ii) Salary entitlements

The Salary and benefits in kind for the Board of Management were:

	2004–05		2003–04	
	Salary	Benefits in kind	Salary	Benefits in kind
	(£000)	(£000)	(£000)	(£000)
Roger Sands (Clerk of the House)	150–155	20	140–145	19
Priscilla Baines (Librarian) (to 31/12/04)	70–75 (full year equivalent 90–95)	–	85–95	–
John Pullinger (Librarian) (from 1/1/05)	30–35 (c) (full year equivalent 90–95)	–	n/a	n/a
George Cubie (Clerk of Committees)	105–110	–	100–105	–
Sir Michael Cummins (Serjeant At Arms) (to 31/12/04)	75–80 (full year equivalent 100–105)	11	90–95	14
Peter Grant Peterkin (Serjeant at Arms) (from 1/1/05)	25–30 (full year equivalent 95–100)	1	n/a	n/a
William Garland (Editor of the Official Report)	85–90	–	80–85	–
Sue Harrison (Director of Catering Services)	80–85	–	75–80	–
Andrew Walker (Director of Finance and Administration)	90–95 (c)	–	90–95 (c)	–

Notes:

- “Salary” includes gross salaries, performance bonuses awarded, reserved rights to London weighting or London allowances, recruitment and retention allowance.
- The estimated monetary value of benefits in kind covers any benefits provided by the House of Commons 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.
- During this period both John Pullinger and Andrew Walker were on secondment from other government departments. The House of Commons was recharged with the direct employment costs as shown in the salary column. Andrew Walker has subsequently joined the House staff.

(iii) Pension benefits

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 scheme and is funded on a pay as you go basis. The balance sheet includes a provision against which future pension benefits will be charged when paid. The accruing cost of benefits is charged to the Operating Cost Statement in the annual resource accounts.

Since 1 October 2002 existing staff have been in one of three schemes – Classic, Premium or Classic Plus. New entrants after that date can choose to join the Premium scheme or a money purchase stakeholder plan (partnership pension account) with a significant employer contribution.

Employee contributions are set at the rate of 1.5% of pensionable earnings for the Classic scheme, and 3.5% for the Premium and Classic Plus schemes. Benefits in the Classic scheme 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. For the Premium scheme benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike the Classic scheme, there is no automatic lump sum payment, but members may commute part of their pension to provide a lump sum. The Classic Plus scheme is essentially a variation of the Premium scheme, but with the benefits accrued in respect of service before 1 October 2002 being calculated broadly as for the Classic scheme. Pensions payable under all three schemes are increased annually in line with changes in the Retail Price Index.

With the partnership pension account the employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary in addition to the employer's basic contribution. The employer also contributes a further 0.85% of pensionable salary to cover the cost of centrally-provided risk benefit cover (i.e. death in service and ill health retirement).

The pension entitlements of the members of the Board of Management, covering the period during which they were on the Board, were as follows: (for 2003-04 figures, see House of Commons Resource Accounts, HC 791)

	Accrued pension and related lump sum at 31/3/05	Real increase in pension and related lump sum at 31/3/05	CETV at 31/3/05	CETV at 31/3/04	Real increase in CETV
	(£000)	(£000)	(£000)	(£000)	(£000)
Roger Sands <i>(Clerk of the House)</i>	70–75 plus lump sum 220–225	2.5–5 plus lump sum 10–12.5	1,316	1,245	58
Priscilla Baines <i>(Librarian)</i> <i>(to 31/12/04)</i>	40–45 plus lump sum 140–145	0–2.5 plus lump sum 2–2.5	847	827	18
John Pullinger <i>(Librarian)</i> <i>(from 1/1/05)</i>	n/a	n/a	n/a	n/a	n/a
George Cubie <i>(Clerk of Committees)</i>	50–55 plus lump sum 150–155	0–2.5 plus lump sum 2–2.5	916	884	22
Sir Michael Cummins <i>(Serjeant At Arms)</i> <i>(to 31/12/04)</i>	30–35 plus lump sum 90–95	2.5–5 plus lump sum 7.5–10	493	441	52
Peter Grant Peterkin <i>(Serjeant At Arms)</i> <i>(from 1/1/05)</i>	0–5	0–2.5	7	n/a	6
William Garland <i>(Editor of the Official Report)</i>	30–35 plus lump sum 110–115	0–2.5 plus lump sum 2.5–5	694	635	28
Sue Harrison <i>(Director of Catering Services)</i>	10–15 plus lump sum 40–45	0–2.5 plus lump sum 2.5–5	195	169	14
Andrew Walker <i>(Director of Finance and Administration)</i>	n/a	n/a	n/a	n/a	n/a

Notes:

- (a) A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by an employee at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a sector capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to these arrangements and for which the Estimate has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.
- (b) The real increase in CETV reflects the amount effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors.
- (c) No employer contributions were made to partnership pensions in 2004-05.
- (d) During this period both John Pullinger and Andrew Walker were on secondment from other government departments and were not part of the House of Commons Staff Pension Scheme.

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.

Auditors

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

Roger Sands
Accounting Officer

21 October 2005

Statement of Accounting Officer’s Responsibilities

The House of Commons (Administration) Act 1978 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.

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 apply 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 Officers’ Memorandum, issued by the Treasury and published in Government Accounting.

Statement on the System of Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the House of Commons, whilst safeguarding the public funds and the assets of the House for which I am personally responsible. These responsibilities are broadly in line with those set out in the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

I have delegated certain responsibilities to the heads of department set down in a written statement.

Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve the policies, aims and objectives of the House. 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 the policies, aims and objectives set out in the House of Commons strategic Corporate Business Plan and the business plans of the six Departments of the House, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Control framework and management of risk

A revised Resource Framework was signed off by the Board of Management in February 2005. It updates previous guidance by setting out where financial responsibilities rest, and brings together a revised system of procedures and controls to enhance the financial management process. As such it is an integral part of the corporate governance arrangements for which the Accounting Officer is responsible.

The risk management process is owned by the Board of Management. It introduced a formalised structure for managing corporate risk in December 2000 and has been developing these arrangements since. For the year ended 31 March 2005 the risk management infrastructure had the following elements:

- risk management strategy and policy;
- a corporate risk register;
- management of operational risk through departmental business plans;
- project risk registers;
- departmental risk sponsors.

Board members work in teams of two, with each team being responsible for overseeing particular corporate risks. This involves a regular appraisal of the existing risks with responsibility for recommending action where necessary, and periodic re-appraisal of the risk register. In addition, each Board member co-ordinates their own departmental risk register, assigning their own staff to specific duties. Where appropriate, all departmental risks are linked to the main corporate risks.

An in-house financial training programme is under development and will include appropriate modules to enhance the risk management skills of appropriate staff across the House.

The reports from these teams are provided to me as part of the overall reassurance for the Accounts. The Business Planning Group provide further assurance by regular monitoring of departmental risks, including the contingency planning and business continuity arrangements that are in place, and through sharing of best practice.

Heightened security risk culminated in the appointment of a joint Security Co-ordinator for both Houses. He has been tasked with implementing the recommendations arising from a recent review of existing security arrangements.

Further details on the continuing development of risk management are contained in the House of Commons Commission's 27th Annual Report (HC 65).

Review of effectiveness

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

The House of Commons Commission set up an Administration Estimate 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.

An Internal Review Service (IRS), which operates broadly to the standards defined in the Government Internal Audit Manual, reports directly to me. The Director of the Internal Review Service also attends meetings of the Administration Estimate Audit Committee. The work of IRS is informed principally by the analysis of risk to which the House of Commons is exposed. Annual internal audit plans, including Value for Money studies, 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.

The analysis of risk and the internal audit plans are approved by me in the light of advice from the Administration Estimate Audit Committee. 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.

In the light of the work carried out by IRS and with the development of the risk management process, I am satisfied as to the general adequacy of the internal control systems within the ambit of the House of Commons Administration Estimate.

Roger Sands
Accounting Officer

21 October 2005

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 14 to 40. 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 in on pages 18 to 23.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 9 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 in general terms, 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 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 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 misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 10 and 11 reflects the House of Commons' application of relevant best practice guidance on corporate governance including, amongst other sources, the Treasury document *Corporate Governance: Statement on Internal Control*. I report if the Statement does not reflect appropriate application of relevant best practice guidance, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the House's corporate governance procedures or its risk and control procedures.

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 in the preparation of the financial statements, and of whether the accounting policies are appropriate to the House'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 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 2005 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.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

24 October 2005

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of Parliamentary Supply

Summary of Resource Outturn
for the year ended 31 March 2005

Request for Resources	Estimate			Outturn			Net total outturn compared with Estimate: saving/ (excess) ¹	2003–04 Net Total
	Admin Costs	Grants	Net Total	Admin Costs	Grants	Net Total		
	£000	£000	£000	£000	£000	£000		
1 Administrative expenditure	190,250	–	190,250	188,681	–	188,681	1,569	177,117
2 Grants to other bodies	–	1,200	1,200	–	1,200	1,200	–	1,100
Total resources	190,250	1,200	191,450	188,681	1,200	189,881	1,569	178,217
Non-operating income	–	–	–	–	–	(28)	28	(11)

Summary of net cash requirement 2004–05

	Note	Forecast 2004–05		Net total outturn compared with Estimate: saving/ (excess) ¹	2003–04 Outturn
		Estimate	Outturn		
		£000	£000		
Net cash requirement	3	147,550	143,661	3,889	140,160

Summary of income payable to the Consolidated Fund.

In addition to appropriations in aid, the following income relates to the House of Commons and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Note	Forecast 2004–05		Outturn 2004–05	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Total income payable to the Consolidated Fund	4	–	–	22	22

¹Explanations of variances between the Estimate and outturn are given in the Operating and Financial Review.

Operating Cost Statement

for the year ended 31 March 2005

	<u>Note</u>	<u>2004–05</u>		<u>Income</u>	<u>2003–04</u>
		<u>Staff Costs</u>	<u>Other Costs</u>		
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Administration Costs					
Staff Costs	6	55,760			52,387
Other administration costs	7		141,258		127,072
Operating income	9			(8,729)	(2,342)
Programme Costs					
Expenditure	8		1,200		1,100
Operating income				–	–
Totals		<u>55,760</u>	<u>142,458</u>	<u>(8,729)</u>	
Net Operating Cost				<u>189,489</u>	<u>178,217</u>

Statement of Recognised Gains and Losses

for the year ended 31 March 2005

	<u>Note</u>	<u>2004–05</u>	<u>2003–04</u>
		<u>£000</u>	<u>£000</u>
Net gain/(loss) on revaluation of tangible fixed assets	10 and 18a	64,568	(5,085)
Receipt of donated assets	18b	5	50
Recognised gains and losses for the financial year		<u>64,573</u>	<u>(5,035)</u>

The notes on pages 18 to 40 form part of this account

Balance Sheet

as at 31 March 2005

	Note	2004–05		2003–04	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	10	1,086,128		1,027,975	
Intangible assets	11	782		518	
			1,086,910		1,028,493
Current assets					
Stocks	12	514		468	
Debtors	13	6,215		7,689	
Cash at bank and in hand	14	4,280		2,587	
		11,009		10,744	
Creditors (amounts falling due within one year)	15	(10,058)		(7,076)	
Net current assets			951		3,668
Total assets less current liabilities			1,087,861		1,032,161
Creditors (amounts falling due after more than one year)	15	(191)		(153)	
Provisions for liabilities and charges	16	(121,402)		(117,522)	
			(121,593)		(117,675)
			966,268		914,486
Taxpayers' equity:					
General fund	17		606,911		619,302
Revaluation reserve	18a		356,823		293,057
House of Commons Commission reserve	18c		2,320		1,918
Donated asset reserve	18b		214		209
			966,268		914,486

Roger Sands
Accounting Officer

21 October 2005

Cash Flow Statement

for the year ended 31 March 2005

	Note	2004–05 £000	2003–04 £000
Net cash outflow from operating activities	19a	(132,496)	(129,862)
Capital expenditure and financial investment	19b,19c	(10,773)	(10,298)
Receipts due to the Consolidated Fund which are outside the scope of the House of Common's activities		22	171
Payments of amounts due to the Consolidated Fund		(20)	(740)
Financing ¹	19d	144,960	137,982
Increase/(decrease) in cash in the period		1,693	(2,747)

¹ The amount of grant actually issued to support the net cash requirement equalled £144,950,000.

Statement of Resources by Aim

for the year ended 31 March 2005

	Gross £000	2004–05 Income £000	Net £000	Gross £000	2003–04 Income £000	Net £000
House of Commons objectives– net operating costs	198,218	(8,729)	189,489	180,559	(2,342)	178,217

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

Objective 1 – *Supporting the House and its committees;*

Objective 2 – *Supporting individual Members (and their staff);*

Objective 3 – *Providing information and access to the public;*

Objective 4 – *Maintaining the heritage of buildings, objects and documents.*

Further information on the strategic objectives may be found in the House of Common's 27th Annual Report (HC 65).

The net resource outturn against these objectives is £189,881,000

See Note 20.

Notes to the Resource 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.

In addition to the primary statements prepared under UK GAAP two further primary statements are prepared. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Statement of Resources by Aims* and supporting notes analyse the House's income and expenditure by the aim.

1.1 Relationship with House of Lords

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 parts 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, individual maintenance and building projects are shared by both Houses of Parliament on a 60:40 basis, or solely apportioned to the House of Commons or House of Lords, and recharged accordingly. Other shared costs are split at agreed ratios for that service.

The Record Office which maintains the parliamentary archives is a shared facility. All these costs are split between the House of Commons and House of Lords on a 40:60 ratio.

In addition to this, arrangements for security are agreed jointly by the authorities of both Houses of Parliament with the Metropolitan Police. These costs are 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 (69:31 for 2004–05).

1.2 Accounting convention

These financial statements are prepared on an accruals basis under the historical cost convention modified to include the revaluation of certain fixed assets.

1.3 Tangible fixed assets

Tangible fixed assets have been stated at current cost. The minimum level for capitalisation of a tangible fixed asset is £1,000. Smaller items may be grouped depending on whether such groups constitute a significant value above the capitalisation threshold.

Freehold properties

Title to freehold land and buildings is held as follows:

- the Palace of Westminster by the Sovereign; and
- property on the House of Commons part of the parliamentary estate by the Corporate Officer of the House of Commons.

The Palace is revalued by applying the Royal Institute of Chartered Surveyors (RICS) Tender Price Index. There is a full professional valuation every five years, with an interim review after three years to ensure that the indices remain in line with the fair value.

All other freehold properties on the parliamentary estate are subject to a full professional valuation every five years, with an interim review each year based on the Valuation Office Agency's 'The Office Index'. These arrangements are in accordance with Financial Reporting Standard 15.

The whole of the parliamentary estate was fully revalued by the Valuation Office Agency (VOA) as at 31 March 2003.

Notes to the Accounts—*continued*

Brought forward values for properties regarded by the House of Commons as operational have been 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.

Long Leasehold

A property, 102 Rochester Row, is held on a long leasehold and therefore its value appears on the Balance Sheet (as per SSAP21/IAS17).

Investment properties

The House of Commons holds interests in land and buildings which are classified as investment properties 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.

The investment properties are valued using indices from the Valuation Office Agency (VOA) 'The Office Index'. A full VOA valuation is carried out every five years, with an interim VOA valuation after three years, to ensure that the indices are in line with the fair value.

Office equipment

Computers, furniture and other equipment 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".

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 normally revalued on an open market value basis every five years unless there is a material change of value in the interim period.

Heritage assets, including both antique furniture and the Speaker's silver, will be revalued in 2005–06.

Plant and machinery

Plant and machinery includes the Great Clock mechanism, Refreshment Department kitchen equipment and vehicles. The Great Clock is re-valued each year using appropriate indices from historic table 4 of the Office of National Statistics publication MM17 "Price index numbers for current cost accounting". Kitchen equipment and vehicles are not revalued.

Assets under construction

The costs incurred in 2004-05, for the development of the second phase of the House Accounting and Information System (HAIS2) and the replacement Parliamentary Information Management Services (PIMS) system, have been capitalised at current cost.

1.4 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, the Speaker's state coach and various other antiquarian artefacts.

Notes to the Accounts—continued***Parliamentary art collection***

The Houses 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 they 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.

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. They comprise:

	Purchased prior to 31 March 2000	Donated prior to 31 March 2000
	Number	Number
Paintings & prints	4,796	1,534
Busts	170	49
Medieval statuary	6	-
Murals & mosaics	122	17
Tapestries	9	1
	<u>5,103</u>	<u>1,601</u>

House of Commons additions since 1 April 2000 have been valued at cost, or market value if donated.

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 form part of the National Archives. 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 administration costs have been shared with the House of Commons since 1999.

In accordance with the requirements of the Resource Accounting Manual, parliamentary archives are non-operational heritage assets and are not included on the balance sheet.

Any operational assets held by the Record Office are disclosed within the House of Lords Resource Account.

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 held at 31 March 2000 is not included on the balance sheet. However, acquisitions from 1 April 2000 are valued at cost and have been included with the library book stock valuation.

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 roadworthy condition. In accordance with the Resource Accounting Manual it has not been valued, because a reliable estimate of its free market value could not be obtained.

Notes to the Accounts—continued**1.5 Depreciation**

Depreciation is charged to expenditure, on the revalued amount of assets. That element of the depreciation which relates to the increase in valuation in prior years is charged to the Revaluation Reserve. This amount is realised by transferring the Revaluation Reserve to the General Fund over the remaining useful life of the asset.

Depreciation is charged on a straight line basis with the exception of Library books for which depreciation is calculated on a reducing balance basis. A full year's depreciation is charged in the year the asset is brought into use with no depreciation in the year of disposal.

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. 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. Capital works on leasehold property are amortised on a straight line basis over the lease period.

The capitalised costs for assets in the course of construction are not depreciated until the assets are brought into use.

For accounting purposes the lives of the tangible fixed assets are in the following ranges:

Land and buildings residual lives

	<i>Years</i>
Land	not applicable
Palace of Westminster	92
Freehold property (excluding Portcullis House)	26-39
Portcullis House	55-76
Leasehold property improvements (7 Millbank)	25

Other tangible fixed assets

Furniture – standard	10
Furniture – antique	400
Plant & Machinery – Refreshment Department	10-30
Plant & Machinery – Great Clock mechanism	400
Other Plant and Machinery	4-5
Works of Art	400
Fixtures and fittings – standard	10
Fixtures and fittings – antique	400
Speaker's Silver	400
General office equipment	3-5
Library books	10
Computer file servers	5
Computer equipment (excluding file servers)	4-5
Broadcasting equipment	10
Telephone equipment	5

1.6 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 currently comprise works of art only and will not be subject to a depreciation charge in line with House policy on works of art (see Note 1.5).

1.7 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.

Notes to the Accounts—continued**1.8 Current 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 on the House of Commons Commission Reserve is credited to that reserve. Any other interest received is treated as operating income.

1.9 Stocks and work in progress

Stocks and work in progress are valued as follows:

- (a) 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.
- (b) Work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

1.10 Research and development

The House of Commons does not engage in research and development activity.

1.11 Operating income

Such income 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. From 2004-05 Refreshment Department income represents the full value of sales with the cost of sales being included in other expenditure. Prior to this the cost of sales were netted off.

1.12 Administration and programme costs

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 other income.

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

1.13 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 Treasury standard rate of 3.5% 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 (e.g. works of art, archives, antiquarian books) are also exempt from the capital charge.

1.14 Foreign exchange

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

1.15 Pensions

Present and past employees are covered by the provisions of the House of Commons Staff Pension Scheme (HOCSPS) which is funded on a pay as you go basis. The Scheme is a defined benefit scheme and liability for payment of future benefits is a charge to the House of Commons. Pension liabilities satisfy the requirements of Practice Note 208. The adoption of FRS17 for 2005–06 may give rise to a significant movement on the current provision shown.

1.16 Early departure costs

The House of Commons meets the cost of benefits beyond the main pension benefits in respect of employees who retire early. These costs are identified separately in the accounts (see 1.15).

1.17 Leases

All costs of operating leases are charged to the Operating Cost Statement as incurred. Long leasehold land and buildings are included on the Balance Sheet.

Notes to the Accounts—continued**1.18 Private Finance Initiative (PFI) transactions**

The House of Commons has no PFI transactions.

1.19 Provisions

The House of Commons makes provision for pensions (see note 1.15), early departure costs and legal costs.

1.20 VAT and Corporation Tax

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.

The House is not subject to Corporation Tax.

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 House of Commons Commission reserve

Under the powers provided by the House of Commons (Administration) Act 1978 as amended by the Government Resource Accounting Act 2000, the House of Commons Commission has established a reserve for any excess income generated.

2. Reconciliation of Estimates, accounts and budgets**2(a) Reconciliation of net resource outturn to net operating costs**

	Note	2004-05		Outturn compared with Estimate	2003-04
		Estimate	Outturn		Outturn
		£000	£000		£000
Net Resource Outturn		191,450	189,881	1,569	178,217
Surplus income retained for transfer to HOCC Reserve	9		(392)		—
Net Operating Cost			189,489		178,217

2(b) Reconciliation of accounts to capital budget

	Note	2004-05		Outturn compared with Final Provision	2003-04
		Final Provision	Outturn		Outturn
		£000	£000		£000
Additions to assets	10, 11	11,050	11,100	(50)	10,168
(Disposals) at net book value	10, 11		(9)	9	(62)
Capital Budget		11,050	11,091	(41)	10,106

Notes to the Accounts—*continued*

3. Reconciliation of resources to cash requirement

	Note	2004-05		Net total outturn compared with estimate: saving/ (excess) £000	2003–04 Outturn £000
		Estimate £000	Outturn £000		
Resource Outturn		191,450	189,881	1,569	178,217
Capital					
Acquisition of fixed assets	19c	11,050	10,801	249	10,309
Non operating Income					
Proceeds of fixed asset disposals	5	–	(28)	28	(11)
Accruals adjustments					
Non-cash items – other administration costs	7	(53,340)	(52,088)	(1,252)	(46,348)
Non-cash items – staff costs	6	(7,300)	(7,326)	26	(6,910)
Changes in working capital other than cash	19a	(10)	(2,822)	2,812	1,844
Changes in creditors falling due after more than one year	15	–	(38)	38	–
Use of provision	16	5,700	5,281	419	3,059
Net Cash Requirement		147,550	143,661	3,889	140,160

4. Analysis of income payable to the Consolidated Fund

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

	Forecast Income £000	2004–05 Receipts £000	Outturn Income £000	2003–04 Receipts £000
Other amounts collectable on behalf of the Consolidated Fund	–	–	–	–
Excess cash surrenderable to the Consolidated Fund	–	–	22	22
Total income payable to the Consolidated Fund	–	–	22	22

5. Non-Operating income

	2004–05 £000	2003–04 £000
Disposal of fixed assets	28	11

Notes to the Accounts—*continued*

6. Staff numbers and related costs

Staff costs comprise:

	2004–05	2003–04
	£000	£000
Wages and salaries	41,983	39,174
Social security costs	3,473	3,312
Other pension costs (non-cash)	7,326	6,910
Sub Total	52,782	49,396
Inward secondments/agency staff	3,204	3,550
Sub Total	55,986	52,946
Less recoveries in respect of outward secondments	(226)	(559)
Total net costs	55,760	52,387

For 2004–05 contributions of £7,326,420 were payable to the HOCSPS (2003–04 £6,910,096) at a rate determined by the Government Actuary. The scheme's Actuary reviews employer contributions on a periodic basis. Rates will remain the same next year, but are expected to increase from 2006–07. The contribution rate reflects benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

By agreement between the House of Commons and the House of Lords, the whole cost of the pension provision for staff in some shared services falls on the House of Commons, regardless of whether the salary costs are shared.

From 1 October 2002, employees of the House of Commons may be in one of three statutorily-based final salary defined benefit schemes (Classic, Premium, and Classic Plus). New entrants after 1 October 2002 may choose between membership of the Premium scheme or joining a good quality 'money purchase' stakeholder arrangement with an 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% 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 spouse pensions.

(b) Premium Scheme

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike the Classic scheme, 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.

For the purposes of pension disclosure the figures assume maximum commutation. Members pay contributions of 3.5% of pensionable earnings. 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 the Premium scheme but with benefits in respect of service before 1 October 2002 calculated broadly as for the Classic scheme.

Pensions payable under Classic, Premium, and Classic Plus schemes are increased in line with the Retail Price Index.

Notes to the Accounts—continued*(d) Partnership Pension Account*

This is a stakeholder-type arrangement where the House of Commons pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employees do not have to contribute but, where they do, 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 to 25% of the fund as a lump sum.

The House of Commons made employers' contributions of £12,315 to one or more of a panel of four appointed stakeholder pension providers. No contributions were prepaid at the balance sheet date.

Six persons retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £11,000.

Average number of persons employed

The average number of full-time equivalent persons employed (including senior management) during the year including Parliamentary Works Services Directorate staff whose salaries are 40% funded by the House of Lords were:

	2004–05	2003–04
	Number	Number
Average Number	1,602	1,559

Notes to the Accounts—*continued*

7. Other Administration Costs

	Note	2004–05		2003–04	
		£000	£000	£000	£000
Rentals under operating leases					
Photocopier rental		538		547	
Buildings rental		6,450		6,055	
Subtotal			6,988		6,602
Cash Items					
Accommodation services		25,668		24,259	
Security		18,110		16,655	
Information		12,887		13,331	
Communications		7,182		6,675	
Finance and specialist services		4,078		2,698	
Travel and subsistence		3,478		3,083	
Catering and other supplies		3,343		–	
Office supplies		2,669		1,421	
Computer maintenance		2,537		3,864	
Other staff costs		2,135		2,032	
Broadcasting		95		104	
Subtotal			82,182		74,122
Non-cash items					
Cost of Capital charges	17	32,896		32,244	
Auditors' remuneration and expenses	17	130		130	
Depreciation and amortisation of fixed assets:					
Tangible fixed assets	10	13,483		12,541	
Intangible fixed assets	11	419		280	
Profit on disposal of fixed assets	10	(19)		–	
Loss on disposal of fixed assets	10	–		51	
Loss on revaluation of fixed assets	10	3,372		976	
Gain on revaluation of fixed assets	10	(27)		–	
Legal claims and early retirement costs	16	1,831		160	
Unwinding of discount on provisions	16	4		(34)	
Gain on stock valuation	12	(1)		–	
Subtotal			52,088		46,348
Grand Total			141,258		127,072

Note:

From 2004–05 Refreshment Department cost of sales is included in other expenditure. Prior to this it was netted off against the value of sales. The effect on the 2004–05 accounts is to increase both the disclosed expenditure and income figures by £4.9 million, which has no net effect on the resource outturn and net cash requirement.

Notes to the Accounts—*continued*

8. Net Programme Costs

	Note	2004–05 £000	2003–04 £000
Grant to the History of Parliament Trust		1,200	1,100

9. Operating Income

	2004–05	2003–04		
	Resource Outturn	Operating Cost Statement		
	Netted off gross expenditure sub-head £000	Retained for transfer House of Commons Commission Reserve £000	Income included in operating cost statement £000	£000
Receipts from sales ¹	7,418	392	7,810	1,584
Rental receipts and associated charges	692	–	692	675
Other receipts	171	–	171	47
Fees on private bills	48	–	48	28
Reimbursements from Government departments	3	–	3	6
Investment income	5	–	5	2
	8,337	392	8,729	2,342

¹ From 2004–05 Refreshment Department income represents the full value of sales, prior to this the cost of those sales was netted off. The cost of sales is now included in other expenditure.

Notes to the Accounts—continued

10. Tangible fixed assets

	Land & Buildings	Antique and other furniture	Speaker's Silver	Parliamentary art collection	Plant and Machinery	Equipment and computers	Other assets under construction	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
Cost at 1 April 2004	1,520,777	26,020	1,951	633	1,985	16,168	766	1,568,300
Additions	4,691	403	—	67	7	736	4,513	10,417
Assets Completed	—	—	—	—	—	—	—	—
Donations	—	—	—	5	—	—	—	5
Disposals/Write Offs ³	(12,743)	(267)	—	—	—	(75)	—	(13,085)
Loss on Revaluation ¹	(20,250)	—	—	—	—	(5)	—	(20,255)
Gain on Revaluation ²	134,016	44	—	—	51	9	—	134,120
At 31 March 2005	1,626,491	26,200	1,951	705	2,043	16,833	5,279	1,679,502
Depreciation								
At 1 April 2004	528,181	1,532	—	—	81	10,531	—	540,325
Charge in the year	11,272	343	—	—	10	1,858	—	13,483
Disposals/Write Offs ³	(12,743)	(267)	—	—	—	(66)	—	(13,076)
Revaluation	52,626	11	—	—	—	5	—	52,642
At 31 March 2005	579,336	1,619	—	—	91	12,328	—	593,374
Net Book Value 31/03/05	1,047,155	24,581	1,951	705	1,952	4,505	5,279	1,086,128
Net Book Value 31/03/04	992,596	24,488	1,951	633	1,904	5,637	766	1,027,975

Analysis of land and buildings

Analysed into freehold, long leasehold, short leasehold, improvements and investments

	Land		Buildings				Total
	Long		Freehold	Long Leasehold	Improvements to Short Leasehold	Investments	
	Freehold	Leasehold					
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000
At 1 April 2004	186,274	166	1,310,387	250	13,559	10,141	1,520,777
Additions	—	—	4,691	—	—	—	4,691
Assets Completed	—	—	—	—	—	—	—
Donations	—	—	—	—	—	—	—
Disposals/Write Offs	—	—	—	—	(12,743)	—	(12,743)
Loss on Revaluation	(6,441)	(16)	(12,765)	(25)	—	(1,003)	(20,250)
Gain on Revaluation	8,467	—	125,549	—	—	—	134,016
At 31 March 2005	188,300	150	1,427,862	225	816	9,138	1,626,491
Depreciation							
At 1 April 2004	—	—	515,328	20	12,833	—	528,181
Charge in the year	—	—	11,220	9	43	—	11,272
Disposals/Write Offs	—	—	—	—	(12,743)	—	(12,743)
Revaluation	—	—	52,628	(2)	—	—	52,626
At 31 March 2005	—	—	579,176	27	133	—	579,336
Net Book Value 31/03/05	188,300	150	848,686	198	683	9,138	1,047,155
Net Book Value 31/03/04	186,274	166	795,059	230	726	10,141	992,596

¹ £3,372,000 of the revaluation loss has been charged to the operating cost, the remaining £16,883,000 offsets previous gains on the revaluation reserve.

² £134,093,000 of the revaluation gains has been credited to the revaluation reserve, the remaining £27,000 has been credited to the operating costs.

³ The net book value of disposals/write offs was £9,000, whilst income received was £28,000. The resulting profit of £19,000 has been credited to the operating costs.

Notes to the Accounts—continued

Land and Buildings analysed by Net Book Value

Analysed by individual land, buildings and investment property (rounded to the nearest £1)

	Land £	Buildings £	Investment £	Total £
Palace of Westminster (HOC share) ¹	129,611,842	552,625,895	–	682,237,737
Portcullis House	29,615,957	242,625,311	–	272,241,268
Norman Shaw South	4,732,447	15,777,080	–	20,509,527
1 Parliament Street	7,659,149	11,465,695	–	19,124,844
Norman Shaw North	7,098,670	11,838,867	–	18,937,537
1 Derby Gate	4,257,021	5,746,979	–	10,004,000
1 Canon Row	2,564,681	4,737,355	–	7,302,036
Abingdon St Car Park	–	–	4,645,213	4,645,213
Units A, B & C Portcullis House	–	–	3,358,511	3,358,511
3 Parliament Street	858,383	1,185,924	–	2,044,307
2 Parliament Street	732,766	1,014,599	–	1,747,365
4 Canon Row	509,447	705,388	–	1,214,835
2 Canon Row	501,596	694,517	–	1,196,113
11 Bridge Street	–	–	1,134,043	1,134,043
Improvements to leasehold buildings	–	683,522	–	683,522
22 John Islip Street	158,766	267,929	–	426,695
102 Rochester Row	150,043	198,056	–	348,099
NBV at 31 March 2005	188,450,768	849,567,117	9,137,767	1,047,155,652

¹ The total value of the Palace at 31 March 2005 was £1,137,062,891 (House of Commons share £682,237,737).

The Great Clock

The clock was last valued as at 31 March 2005 using appropriate indices from historic table 4 of the Office of National Statistics publication MM17 at £3,203,133 (House of Commons share £1,921,880). The House of Commons share is included in Plant and Machinery.

Revaluation of Land and Buildings

The revaluation of land and buildings using RICS indices gave rise to a net gain of £65million (see note 18a).

Notes to the Accounts—*continued***11. Intangible fixed assets**

The House's intangible fixed assets comprise purchased software licences.

	<u>2004-05</u>	<u>2003-04</u>
	<u>£000</u>	<u>£000</u>
Cost or valuation		
At 1 April 2004	1,143	712
Additions	683	431
Disposals	(251)	–
At 31 March 2005	<u>1,575</u>	<u>1,143</u>
Amortisation		
At 1 April 2004	625	345
Charged in year	419	280
Disposals	(251)	–
At 31 March 2005	<u>793</u>	<u>625</u>
Net book value at 31 March 2005	<u>782</u>	<u>518</u>
Net book value at 31 March 2004	<u>518</u>	<u>368</u>

12. Stocks and work in progress

	<u>As at 31 March 2005</u>	<u>As at 31 March 2004</u>
	<u>£000</u>	<u>£000</u>
Stocks	<u>514</u>	<u>468</u>

13. Debtors

	<u>As at 31 March 2005</u>	<u>As at 31 March 2004</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Trade debtors	1,395	4,246
Deposits and advances	313	287
VAT and other taxes	2,288	1,234
Other debtors	18	49
Prepayments and accrued income	2,201	1,873
	<u>6,215</u>	<u>7,689</u>

Notes to the Accounts—continued

14. Cash at bank and in hand

	As at 31 March 2005	As at 31 March 2004
	£000	£000
Balance at 1 April	2,587	5,334
Net change in cash balances	1,693	(2,747)
Balance at 31 March	4,280	2,587
The following balances at 31 March were held at:		
Office of HM Paymaster General	798	181
Commercial banks and cash in hand	322	(294)
Investment account	840	2,700
House of Commons Commission Reserve account	2,320	–
Balance at 31 March	4,280	2,587
Amounts issued from the Consolidated Fund but not spent at year end	1,958	669
Consolidated fund extra receipts received and receivable and due to be paid to the consolidated fund	2	–
House of Commons Commission Reserve	2,320	1,918
	4,280	2,587

15. Creditors

	As at 31 March 2005	As at 31 March 2004
	£000	£000
Amounts falling due within one year		
Other taxation and social security	44	29
Trade creditors – current	1,852	3,569
Trade creditors – capital	390	91
Members	162	220
Other creditors	81	31
Accruals and deferred income	5,569	2,467
	8,098	6,407
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,958	669
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
Received	2	–
Receivable	–	–
	10,058	7,076
Amounts falling due after more than one year:		
Accruals and deferred income	191	153
	10,249	7,229

Notes to the Accounts—continued

16. Provisions for liabilities and charges

	Pensions	Early Departure Costs	Legal Claims	Total
	£000	£000	£000	£000
Balance at 1 April 2004	117,340	22	160	117,522
Provided in the year	7,326	94	1,737	9,157
Provisions utilised in the year	(6,857)	(79)	(161)	(7,097)
Transfer in	659	–	–	659
Other receipts in year	1,157	–	–	1,157
Unwinding of discount	–	4	–	4
Balance at 31 March 2005	119,625	41	1,736	121,402

Pensions

An actuarial valuation of the scheme's liabilities was carried out at 31 March 2005 by the Government Actuary's Department (GAD). The major assumptions used by the actuary were the following percentages:

	at 31 March 2005
Inflation assumption	2.5%
Rate of increase in salaries	4.0%
Rate of increase for deferred pensions	2.5%
Rate of increase in pensions in payment	2.5%
Rate used to discount scheme liabilities	6.1%

The present value of the scheme liabilities is £207.5 million and has been calculated in accordance with generally accepted accounting principles (UKGAAP).

By agreement between the House of Commons and the House of Lords, the whole cost of the pension provision for staff within shared services falls on the House of Commons.

Other receipts include contributions for spouse benefits and reimbursements from other organisations.

Early departure costs

The House meets the additional cost 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 if and when the early departure becomes binding on the House by establishing a provision for the estimated payments discounted by 3.5% in real terms.

Legal claims

The major claim settled in August 2005 gave rise to a settlement of £1.6million. Provision has also been made for various legal claims against the House of Commons, this reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated. The previous provision of £160k raised in 2003–04 was paid during the financial year.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 23.

Notes to the Accounts—continued

17. General Fund

The General Fund represents the total assets less liabilities of the House of Commons, to the extent that the total is not represented by other reserves and financing items.

	As at 31 March 2005 <u>£000</u>	As at 31 March 2004 <u>£000</u>
Balance at 1 April	619,302	623,333
Net Parliamentary Funding		
Drawn down	144,950	137,982
Deemed	669	2,847
Year end adjustment		
Supply creditor – current year	(1,958)	(669)
Net Transfer from Operating Activities		
Net Operating Cost	(189,489)	(178,217)
Transfer from General Fund to HOCC Reserve	(392)	-
Non Cash charges		
Cost of capital	32,896	32,244
Auditors' remuneration	130	130
Transfer to general fund of realised element of revaluation reserve	803	1,652
Balance at 31 March	<u>606,911</u>	<u>619,302</u>

18. Reserves

18(a) Revaluation Reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	Investment Properties <u>£000</u>	2004-05 Other Fixed Assets <u>£000</u>	Total <u>£000</u>	2003-04 Total <u>£000</u>
Balance at 1 April	4,188	288,869	293,057	299,794
Revaluation gain during the year	–	134,093	134,093	21,899
Revaluation loss netted against reserve	(1,003)	(15,880)	(16,883)	(40,259)
Net backlog depreciation	–	(52,642)	(52,642)	13,276
Adjustment for 2002-03 backlog depreciation	–	1	1	(1)
Transferred to general fund in respect of realised element of revaluation reserve	–	(803)	(803)	(1,652)
Balance at 31 March	<u>3,185</u>	<u>353,638</u>	<u>356,823</u>	<u>293,057</u>

Notes to the Accounts—*continued***18(b) Donated Asset Reserve**

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

	<u>2004-05</u>	<u>2003-04</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April	209	159
Additions during the year	5	50
Release to the general fund	–	–
Balance at 31 March	<u>214</u>	<u>209</u>

18(c) House of Commons Commission Reserve

	<u>2004-05</u>	<u>2003-04</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April	1,918	1,919
Transfer from General Fund to HOCC Reserve	392	–
Rounding Adjustment for 2002-03	–	(1)
Interest received	10	–
Release to the general fund	–	–
Balance at 31 March	<u>2,320</u>	<u>1,918</u>

19. Notes to the Cash Flow Statement**19(a) Reconciliation of operating cost to operating cash flows**

		<u>2004-05</u>		<u>2003-04</u>	
	<u>Notes</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Net operating cost			(189,489)		(178,217)
Non-cash transactions – other administration costs	7		52,088		46,348
Non-cash transactions – staff costs	6		7,326		6,910
Changes in working capital other than cash					
(Increase)/Decrease in Stock	12	(46)		(32)	
(Increase)/Decrease in Debtors	13	1,474		(1,532)	
<i>Less increase/(decrease) in debtors relating to items not passing through the OCS</i>					
Increase/(Decrease) in Creditors	15	2,982		(3,168)	
<i>Less(increase)/decrease in amounts due to the consolidated fund</i>		(1,291)		2,909	
<i>Less (increase)/decrease in capital creditors</i>		(299)		141	
			2,822		(1,844)
Increase in creditors falling due after more than one year			38		–
Use of provisions	16		(5,281)		(3,059)
Net cash outflow from operating activities			<u>(132,496)</u>		<u>(129,862)</u>

Notes to the Accounts—continued

19(b) Analysis of capital expenditure and financial investment

	Note	2004-05 £000	2003-04 £000
Tangible fixed asset additions	10	(10,118)	(9,879)
Intangible fixed asset additions	11	(683)	(430)
Proceeds from disposal of fixed assets	10	28	11
Net cash outflow from investing activities		(10,773)	(10,298)

19(c) Analysis of capital expenditure and financial investment by Request for Resources

	Capital expenditure £000	Loans etc £000	A in A £000	Net total £000
Request for resources 1	11,100	–	(28)	11,072
Request for resources 2	–	–	–	–
Net movement in debtors/creditors	(299)	–	–	(299)
Total 2004-05	10,801	–	(28)	10,773
Total 2003-04	10,309	–	(11)	10,298

19(d) Analysis of financing

	Note	2004-05 £000	2003-04 £000
From the Consolidated Fund (Supply) – current year	17	144,950	137,982
From the Consolidated Fund (Supply) – prior year	17	–	–
Interest received on HOCC Reserve balance	18	10	–
Net financing		144,960	137,982

19(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	Note	2004-05 £000	2003-04 £000
Net cash requirement		(143,661)	(140,160)
From the Consolidated Fund (Supply) – current year	17	144,950	137,982
From the Consolidated Fund (Supply) – prior year		–	–
Amounts due to the Consolidated Fund received in prior year and paid over		–	(569)
Amounts due to the Consolidated Fund received and not paid		2	–
Transfer from General Fund to HOCC Reserve		392	–
Interest received on HOCC Reserve balance		10	–
Increase/(decrease) in cash		1,693	(2,747)

Notes to the Accounts—continued**20. Notes to the Statement of Resources by Aims****Net Operating costs by Aim 31 March 2005**

	<u>2004–05</u>	<u>2003–04</u>
	<u>£000</u>	<u>£000</u>
House of Commons objectives	189,489	178,217

Capital Employed by Aim at 31 March 2005

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

	<u>2004–05</u>	<u>2003–04</u>
	<u>£000</u>	<u>£000</u>
House of Commons objectives	966,268	914,846

21. Capital commitments

	<u>2004–05</u>	<u>2003–04</u>
	<u>£000</u>	<u>£000</u>
Contracted capital commitments at 31 March 2005 for which no provision has been made:	919	1,879

22. Commitments under leases**22.1 Operating leases**

Commitments under operating leases to pay rentals during the year following the years of these accounts are given in the table below, analysed according to the period in which the lease expires.

	<u>2004–05</u>	<u>2003–04</u>
	<u>£000</u>	<u>£000</u>
Obligations under operating leases comprise:		
Land and buildings:		
Expiry within 1 year	–	–
Expiry after 1 year but not more than 5 years	750	–
Expiry thereafter	6,152	6,102
	<u>6,902</u>	<u>6,102</u>
Other:		
Expiry within one year	62	50
Expiry after 1 year but not more than 5 years	425	507
Expiry thereafter	–	–
	<u>487</u>	<u>557</u>

22.2 Finance leases

There were no significant finance leases held during 2004–05.

Notes to the Accounts—*continued*

23. Contingent liabilities disclosed under FRS 12

Quantifiable contingent liabilities:

	At 1 April 2004	Increase in year	Liabilities crystallised in year	Obligation expired in year	At 31 March 2005
	£000	£000	£000	£000	£000
Personal injuries claims	285	68	(19)	(73)	261

24. Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes

The House of Commons has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS 12 since the likelihood of a transfer of economic benefit in settlement is too remote.

	At 1 April 2004	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2005
	£000	£000	£000	£000	£000
Works of Art on loan from various collections	6,075	74	–	(923)	5,226

25. Losses and special payments

25(a) *Losses Statement*

	2004–05	2003–04
	£000	£000
Total (There were 128 individual payments)	20	267

25(b) *Special Payments*

	2004–05	2003–04
	£000	£000
Total	–	–

25(c) *Other notes*

Hand-over of the site of 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 units. This additional expenditure, incurred in prior years, has been treated as a loss. A claim for further liquidated damages is being pursued with London Underground.

Notes to the Accounts—*continued***26. 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 percentages for the main areas are:

Service	House of Lords	House of Commons
Works services related to shared accommodation	40%	60%
Communications services	15%	85%
Archives	60%	40%
Visitor tours	30%	70%
Broadcasting services	40%	60%

As at 31 March 2005, the balance relating to accommodation and works services owed by the House of Lords was £1,751,000. In relation to other shared services the balance owed by the House of Commons was £19,000. The total amount of expenditure incurred by the House of Commons on behalf of the House of Lords was £30,341,000 during 2004–05.

The House of Lords incurred £412,000 of expenditure on behalf of the House of Commons during 2004–05 in respect of the Record Office. The balance owed on this expenditure by the House of Commons was £34,300.

Additionally, specific projects are sometimes carried out jointly. During 2004–05, the House of Lords paid the House of Commons £622,000 relating to the Parliamentary Information Management System (PIMS) project and £103,000 relating to joint and overseas committees.

The House of Commons provides accounting services to the History of Parliament Trust. The British-Irish Inter-Parliamentary Body (BIIPB) is provided with accounting services and accommodation. The House made payments of £160,000 on behalf of the BIIPB in 2004–05. At the year end, the balance due from BIIPB in respect of 2004–05 expenditure was £nil. Accommodation is also provided to the British American Parliamentary Group.

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

27. Third-party assets

The House of Commons holds the following third party assets in a public bank account:

	31 March 2004	Gross inflows	Gross outflows	31 March 2005
	£000	£000	£000	£000
Gratuities and service charges	31	1,405	(1,395)	41

Notes to the Accounts—continued**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. As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted.

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.

Fair values

Set out below is a comparison by category of book values and fair values of the House financial assets and liabilities as at 31 March 2005.

	Book Value	Fair Value¹
	£000	£000
Primary financial instruments	—	—
Financial assets	—	—
Cash at bank & in hand	4,280	4,280
Financial liabilities	—	—
Provisions	(119,626)	(119,626)

¹Fair value is not different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 3.5% in real terms.

29. Post balance sheet events

The final account for works carried out in the construction of Portcullis House was settled for £1.6 million in August 2005. The amount has been provided for in these accounts (see note 16).