

The **HOUSE of
COMMONS:
Administration
Resource Accounts
2002–03**

(For the year ended 31 March 2003)

*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 2002–03

Foreword to the Accounts

For the year ended 31 March 2003

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; and
- some travel costs of Members of Parliament in connection with select committees and delegations to International Parliamentary assemblies.

The main cost of Members' salaries and allowances are, however, accounted for separately and reported in the Members' 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 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 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 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 25th Annual Report of the House of Commons Commission for 2002–03 (HC806, July 2003). 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 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 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.

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.

The membership of the House of Commons Commission is composed according to section 1 (2) of the House of Commons (Administration) Act. At the start of 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 Robin Cook MP	Leader of the House of Commons (<i>by virtue of his office</i>)
The Rt Hon Eric Forth MP	nominated by the Leader of the Opposition
Mr Stuart Bell MP	also Chairman of the Finance and Services Committee
Sir Archy Kirkwood MP	
Sir Patrick Cormack MP FSA	

Following the financial year the Rt Hon John Reid MP became Leader of the House on 4 April 2003 and replaced the Rt Hon Robin Cook MP on the Commission. He was subsequently replaced by the Rt Hon Peter Hain MP as Leader of the House, and on the Commission on 13 June 2003. Sir Archy Kirkwood was knighted during the year. The Rt Hon Eric Forth MP was replaced on the Commission by Oliver Heald MP on 10 November 2003.

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:

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

Ian Church retired on 18 October 2002 and was replaced by Bill Garland. Sir William McKay retired as Clerk on the 31 December 2002 and was replaced by Roger Sands. Sir Michael Cummins was knighted in the following year.

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. 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

8 December 2003

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. Roger Sands has been appointed Accounting Officer from 1 January 2003, replacing Sir William McKay KCB who was Accounting Officer until 31 December 2002.

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; and
- 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 2002–03. As Accounting Officer for this Estimate, 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 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 responsibility for reviewing the effectiveness of the system of internal control.

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.

The House introduced a formalised structure for corporate risk management in December 2000, and has developed the arrangements further since then. The structure now involves evaluation of the risks at all levels of management. The Board of Management has implemented a risk management infrastructure with the following elements:

- Risk management policy and strategy.
- Corporate risk register.
- Departmental risk management through business plans.
- Project risk registers.
- Departmental risk sponsors.

In addition, in June 2003, the Board appointed Board Members working in teams of two to take responsibility for overseeing each of the corporate risks. This involves a regular appraisal of the existing risks and responsibility for recommending action where necessary, and an annual re-appraisal of the overall risk register. The reports from these teams are provided to me as part of the overall reassurance for the Accounts. Further details will be reported in the Commission's Annual Report.

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 2002–03. In addition, the intention is to build on the development of the risk management process already achieved.

Roger Sands
Accounting Officer

8 December 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 41. 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 pages 18 to 23.

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 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 8 and 9 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.

Basis of 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 2003 and of the net resource outturn, resources applied to objective, 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

11 December 2003

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

SCHEDULE 1

Summary of Resource Outturn
for the year ended 31 March 2003

	Estimate		2002–03		Outturn		2001–02	
	Gross Expenditure	A in A	NET TOTAL	Gross Expenditure	A in A	NET TOTAL ¹	Net total outturn compared with Estimate saving/ (excess)	Prior Year Outturn
	1	2	3	4	5	6	7	8
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources 1: Administrative Expenditure (Note 9)	219,144	(6,942)	212,202	185,768	(6,942)	178,826	33,376	164,367
Request for Resources 2: Grants to other bodies (Note 4)	1,180	—	1,180	1,180	—	1,180	—	1,059
Total resources	220,324	(6,942)	213,382	186,948	(6,942)	180,006	33,376	165,426
Non-operating cost Appropriations in Aid		(20)	(20)	—	(10)	(10)	(10)	(23)
Net cash requirement			141,175			138,328	2,847	132,508

Reconciliation of resources to cash requirement

	Note	£000	£000	£000	£000
Net total resources			213,382	180,006	165,426
Capital:					
Acquisition of fixed assets	11 & 12		15,032	8,100	11,908
Non-Operating Cost A in A	5		(20)	(10)	(23)
Accruals adjustments:					
Non-cash items	3		(87,219)	(53,398)	(42,267)
Changes in working capital other than cash	13		—	(687)	(367)
Use of provision	18		—	4,317	(2,169)
Net cash requirement (Schedule 4)			141,175	138,328	132,508

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

The main variances are due to the gain on the revaluation of Portcullis House being allocated to operating costs and an over-estimation of the cost of capital.

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

The variance in the net cash requirement was caused by timing differences in the payment of creditors.

The notes on pages 18 to 41 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>	2002–03 Forecast		2002–03 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	—	—	730	568
Non-operating income and receipts — excess Appropriations in Aid	5	—	—	—	—
Subtotal		—	—	730	568
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		—	—	7	7
Excess cash receipts surrenderable to the Consolidated Fund		—	—	—	—
Total²		—	—	737	575

¹ *Actual outturn — resources*

Request for resources 1: Actual amount net resources outturn £178,825,664.89. Actual amount of savings in resources over Estimate £33,376,335.11.

Request for resources 2: Actual amount net resources outturn £1,179,900.00. Actual amount of savings in resources over Estimate £nil.

Actual outturn — cash

Net cash requirement: Outturn net requirement £138,327,532.89 which is £2,847,467.11 less than the Estimate.

² Actual receipts surrenderable to the Consolidated Fund equalled £575,315.53.

SCHEDULE 2

Operating Cost Statement

for the year ended 31 March 2003

	Note	2002–03		2001–02	
		£000	£000	£000	£000
Administration costs					
Staff costs	2	49,522		44,822	
Other administration costs	3	136,246		125,030	
Gross administration costs			185,768		169,852
Operating income	5		(7,672)		(5,485)
Net administration costs			178,096		164,367
Programme costs:					
Expenditure	4		1,180		1,059
Less: Income			—		—
Net programme costs			1,180		1,059
NET OPERATING COST	7 & 9		179,276		165,426
NET RESOURCE OUTTURN	7		180,006		165,426

All income and expenditure is derived from continuing activities.

Statement of Recognised Gains and Losses

for the year ended 31 March 2003

	Note	2002–03 £000	2001–02 £000
Net gain on revaluation of tangible fixed assets	11	144,179	78,763
Receipt of donated assets	20	3	40
Total recognised gains and losses for the financial year		144,182	78,803

The notes on pages 18 to 41 form part of these accounts

SCHEDULE 3

Balance Sheet

as at 31 March 2003

	Note	2002–03		2001–02	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11	1,036,851		933,124	
Intangible assets	12	368		111	
			1,037,219		933,235
Current assets					
Stocks and work in progress	14	436		369	
Debtors	15	6,157		5,254	
Cash at bank and in hand	16	5,334		1,553	
		11,927		7,176	
Creditors (amounts falling due within one year)	17	(10,397)		(6,476)	
Net current assets			1,530		700
Total assets less current liabilities			1,038,749		933,935
Provisions for liabilities and charges	18		(113,544)		(111,118)
			925,205		822,817
Taxpayers' equity					
General fund	19		623,333		611,181
Revaluation reserve	20		299,794		211,480
House of Commons Commission reserve	20		1,919		—
Donated assets reserve	20		159		156
			925,205		822,817

Roger Sands
Accounting Officer

8 December 2003

SCHEDULE 4

Cash Flow Statement

for the year ended 31 March 2003

		<u>2002–03</u>	<u>2001–02</u>
		<u>£000</u>	<u>£000</u>
Net cash outflow from operating activities	Note a	(129,434)	(120,473)
Capital expenditure and financial investment	Note b	(7,922)	(12,026)
Receipts due to the Consolidated Fund which are outside the scope of the House's activities		7	60
Payments of amounts due to the Consolidated Fund		(18)	(2,601)
Financing	Note c	141,148	131,052
Increase/(decrease) in cash during the period		3,781	(3,988)

Note a — Reconciliation of operating cost to operating cash flows

		<u>2002–03</u>	<u>2001–02</u>
		<u>£000</u>	<u>£000</u>
Net operating cost		179,276	165,426
Adjustments for non cash transactions	3	(53,380)	(42,267)
Adjustments for movements in working capital other than cash	13	(779)	(517)
Use of provisions	18	4,317	(2,169)
Net cash outflow from operating activities		129,434	120,473

Note b — Analysis of capital expenditure and financial investment

		<u>2002–03</u>	<u>2001–02</u>
		<u>£000</u>	<u>£000</u>
Intangible fixed asset additions	12	467	88
Tangible fixed asset additions	11	7,483	11,970
Proceeds of disposal of fixed assets	11	(28)	(32)
Net cash outflow from investing activities		7,922	12,026

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

		<u>2002–03</u>	<u>2001–02</u>
		<u>£000</u>	<u>£000</u>
From the Consolidated Fund (Supply): current year ¹		141,175	131,052
From Consolidated Fund (Supply): prior year ²		—	—
Cash surrender of prior year surplus		(27)	—
Advances from Contingencies Fund		—	—
Repayments of Contingencies Fund		—	—
Net financing		141,148	131,052
(Increase)/decrease in cash during the period		(3,781)	3,988
Net cash flows other than financing		137,367	135,040
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		
	CFERs	(11)	(2,541)
Amounts due to the Consolidated Fund — received and not paid over			
	Other Amounts	568	9
	CFERs	—	—
Transitional adjustment for outstanding balances relating to the Administration			
Appropriation Accounts 2000–01		404	—
Net cash requirement for the year (Schedule 1)		138,328	132,508

(1) Amount of grant actually issued to support the net cash requirement = £141,175,000.00

(2) Amount of grant actually issued to support prior year net cash requirement = £0.00

The notes on pages 18 to 41 form part of these accounts

SCHEDULE 5

Resources by Aims

for the year ended 31 March 2003

	2002–03			2001–02		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
House of Commons objective — net operating cost	186,948	(7,672)	179,276	170,911	(5,485)	165,426

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.

Procedures for apportioning costs are being developed as a precursor to the production of a more detailed Schedule 5.

Further information on the strategic objectives may be found in the Commission's Annual Report.

The net resource outturn against these objectives is £180,006,000.

See notes 9 and 21

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 between the House of Commons and the House of Lords; 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 (2002–03: 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 assets have been professionally valued.

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 House of Commons part of 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 5 years with an interim valuation every year. The valuations and review of useful economic lives are undertaken by 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.

The whole of the parliamentary estate was fully revalued as at 31 March 2003.

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.

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 using appropriate indices from historic table 4 of the Office of National Statistics publication MM17 "Price index numbers for current cost accounting".

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 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 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 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 Records Office are disclosed within the House of Lords Resource Account.

Notes to the Accounts—continued**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 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	93 years
Freehold property (excluding Portcullis House)	26–39 years
Portcullis House	55–76 years
Leasehold property	25 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
Speakers Silver	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:

- (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.

1.9 Research and development

The House of Commons did not engage in research and development activity during the financial year 2002–03.

Notes to the Accounts—continued**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.

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 (e.g. works of art, archives, antiquarian books) 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 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.

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 pensions (see note 1.14), early departure costs and legal costs.

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 hold third party assets in the form of gratuities and service charges on behalf of Refreshment Department staff.

1.22 House of Commons Commission Reserve

The House of Commons Commission has established a reserve for the investment account funds held by the Refreshment Department trading fund on 31 March 1999.

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

	Total 2002–03	Total 2001–02
	£000	£000
Wages and salaries	37,092	33,857
Social security costs	2,690	2,570
Other pension costs	6,605	6,228
Agency/Seconded Staff	3,135	2,167
Total	49,522	44,822

The House of Commons Staff Pension Scheme (HOCSPS) is a defined benefit scheme that is funded on a pay as you go basis.

For 2002–03 contributions of £6,604,778 were payable to the HOCSPS at a rate determined by the Government Actuary. This rate was 17.1% of pensionable pay.

Pension benefits are provided through the HOCSPS. From 1 October 2002, employees of the House of Commons may be in one of three statutory based final salary defined benefit schemes (Classic, Premium, and Classic Plus). New entrants after 1 October 2002 may choose between membership of 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 $\frac{1}{80}$ th 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 widow(er) pensions.

Notes to the Accounts—continued**(b) Premium Scheme**

Benefits accrue at the rate of $\frac{1}{60}$ th 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 $\frac{3}{80}$ ^{ths} of final pensionable earnings for each year of service or 2.25 times pension if greater. For the purposes of pension disclosure the tables 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 per the Classic scheme.

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

(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 £114 to one or more of a panel of four appointed stakeholder pension providers. No contributions were prepaid at the balance sheet date.

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

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):

	<u>2002–03</u> Number	<u>2001–02</u> Number
Average Number	1,480	1,399

Notes to the Accounts—*continued*

C. The salary and pension entitlements of the members of the Board of Management, covering the period during which they were on the Board, were as follows:

(for 2001–02 figures, see House of Commons Resource Accounts, HC 419)

Name	Age	Salary (as defined below) £000	Real increase in pension at age 60 £000	Total accrued pension at age 60 at 31 March 2003 £000	Benefits in Kind (Rounded to nearest £100)
Roger Sands (from 01.01.2003) (Chairman of Board of Management)	60	30–35	5.0–7.5	50–55	3,400
Sir William McKay (till 31.12.2002) (Chairman of Board of Management)	63	100–105	2.5–5.0	70–75	9,100
Priscilla Baines (Librarian)	60	80–85	2.5–5.0	40–45	—
Michael Cummins (Serjeant at Arms)	63	85–90	2.5–5.0	20–25	12,800
William Garland (from 18.10.2002) (Editor of the Official Report)	57	40–45	0.0–2.5	25–30	—
Ian Church (till 18.10.2002) (Editor of the Official Report)	61	45–50	0.0–2.5	35–40	—
Sue Harrison (Director of Catering Services)	45	70–75	0.0–2.5	10–15	—
Andrew Walker* (Director of Finance and Administration)	48	90–95	n/a*	n/a*	—
George Cubie (Clerk of Committees)	59	95–100	2.5–5.0	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.

All the other members of the Board of Management belong to the House of Commons Staff Pension (Classic) Scheme.

- (a) “Salary” includes gross salaries, performance bonuses awarded, 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 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.
- (c) Pension benefits are provided through the HOCSPS, full details of which are disclosed in Section A of note 2.

Notes to the Accounts—*continued*

3. Other administration costs

	Note	2002–03		2001–02	
		£000	£000	£000	£000
Rentals under operating leases					
Photocopier rental		670		591	
Buildings rental		6,199		5,494	
			6,869		6,085
Cash items					
Other staff costs		1,327		1,150	
Travel and subsistence		2,675		2,084	
Information		12,629		10,537	
Broadcasting		127		110	
Communications		6,077		6,403	
Computer		3,450		3,352	
Office supplies		1,865		2,124	
Finance and specialist services		3,081		2,184	
Accommodation services		36,034		35,838	
Security		15,319		12,896	
			82,584		76,678
Non-cash items (Notes a & b):					
Depreciation and amortisation of fixed assets:					
Tangible fixed assets	11	14,220		12,840	
Intangible fixed assets	12	210		82	
Loss on disposal of fixed assets	11	—		294	
Cost of capital charge	19	52,636		48,283	
Auditor's remuneration and expenses		130		135	
Unwinding of discount on provisions	18	(7)		—	
Provisions	18	145		—	
Loss on revaluation of fixed assets	11	368		342	
Gain on revaluation of fixed assets	11	(20,909)		(19,709)	
			46,793		42,267
Total			136,246		125,030

Note—No remuneration was paid for non audit related work performed by the National Audit Office.

Notes to the Accounts—*continued*

Note a — the total of the non-cash transactions included in the Reconciliation of operating costs to operating cash flows in Schedule 4 comprises:

	<u>2002–03</u>
	<u>£000</u>
Other administration costs — non-cash items (as above)	46,793
Other non-cash amounts charged to operating expenditure (pension costs — Note 2)	6,605
Less non-cash income	—
Deferred donation income released from the Donated Asset Reserve	—
Profit on sale of fixed assets	(18)
Total non-cash transactions	<u>53,380</u>

Note b — The total of non-cash items including the Reconciliation of resources to net cash requirement in Schedule 1 comprises:

	<u>2002–03</u>
	<u>£000</u>
Total non-cash transactions as above	53,380
Adjustment for profits and losses on disposal of fixed assets:	
Losses on disposal of tangible fixed assets	—
Profits on disposal of tangible fixed assets	18
Non-cash items per reconciliation of resources to net cash requirement	<u>53,398</u>

4. Net programme costs

	<u>2002–03</u>	<u>2001–02</u>
	<u>£000</u>	<u>£000</u>
Grant to History of Parliament Trust	<u>1,180</u>	<u>1,059</u>

5. Income and appropriations in aid

Operating income

In 2002–03 all operating income not classified as appropriations-in-aid (i.e. transferred to the Consolidated Fund) was within public expenditure.

	2002–03			Income included in Operating Cost Statement
	Netted off gross expenditure In sub-head	Appropriated -in-Aid	Payable To Consolidated Fund	
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Administration income:				
Staff Related Receipts	—	727	—	727
Fees on Private Bills	—	20	—	20
Reimbursement from HOL/Govt depts	—	2,592	—	2,592
Rental receipts and associated charges	—	698	—	698
Receipts from sales	—	2,712	712	3,424
Investment Income	—	98	—	98
Other Receipts	—	95	—	95
Profit on disposal of fixed assets	—	—	18	18
	<u>—</u>	<u>6,942</u>	<u>730</u>	<u>7,672</u>

Notes to the Accounts—*continued*

	2001–02			Income included in Operating Cost Statement £000
	Netted off gross expenditure In sub-head £000	Appropriated -in-Aid £000	Payable To Consolidated Fund £000	
Administration income:				
Staff related receipts	—	413	—	413
Fees on Private Bills	—	16	—	16
Reimbursement from HOL/Govt depts	—	1,593	—	1,593
Rental receipts and associated charges	—	720	—	720
Receipts from sales	—	2,659	—	2,659
Investment income	—	84	—	84
Other receipts	—	—	—	—
	—	5,485	—	5,485

All rental receipts are derived from operating leases.

Non-operating Appropriations in Aid

	2002–03 £000	2001–02 £000
Disposal of fixed assets	10	23

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

	2002–03 £000	2001–02 £000
Net operating cost (<i>Note</i>)	179,276	165,426
Operating income not classified as A in A	730	—
Net resource outturn (<i>Note</i>)	180,006	165,426

Note — 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).

8. Analysis of net operating cost by spending body

	2002–03		2001–02
	Budget	Outturn	Outturn
	£000	£000	£000
House of Commons Commission	213,382	179,276	165,426

Notes to the Accounts—continued

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

	2002–03				Net Total Outturn compared with estimate	2001–02
	Gross Resource Expenditure	Outturn A in A	Net Total	Estimate		Net Total
	£000	£000	£000	£000		£000
Request for Resources 1: Administrative Expenditure	185,768	(6,942)	178,826	212,202		164,367
Request for Resources 2: Grants to other bodies	1,180	—	1,180	1,180		1,059
Resource outturn	186,948	(6,942)	180,006	213,382	(33,376)	165,426
<i>Reconciliation to Operating Cost Statement</i>						
Non A in A operating income	—	(730)	(730)			—
Gross operating expenditure	186,948					
Operating income		(7,672)				
Net operating cost			179,276			165,426

10. Analysis of capital expenditure, financial investments and associated A in A

	Note	2002–03			Net Total
		Capital expenditure	Loans etc	A in A	
		£000	£000	£000	
Request for Resources 1	11 & 12	8,100	—	(10)	8,090
Request for Resources 2	11 & 12	—	—	—	—
		8,100	—	(10)	8,090
2001–02					
	Note	Capital expenditure	Loans etc	A in A	Net Total
		£000	£000	£000	£000
		£000	£000	£000	£000
Request for Resources 1	11 & 12	11,820	—	(23)	11,797
Request for Resources 2	11 & 12	—	—	—	—
		11,820	—	(23)	11,797

Notes to the Accounts—*continued*

11. Tangible fixed assets

	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 2002	1,375,474	29,970	1,951	449	1,783	13,253	671	1,423,551
Additions	3,128	384	—	84	2	3,213	822	7,633
Assets Completed	—	—	—	—	—	671	(671)	—
Donations	—	—	—	2	—	—	—	2
Disposals	—	(4)	—	—	—	(1,347)	—	(1,351)
Relifed/Revalued	—	—	—	—	—	319	—	319
Loss on Revaluation	(10,605)	(62)	—	—	—	(306)	—	(10,973)
Gain on Revaluation	164,511	—	—	—	157	101	—	164,769
At 31 March 2003	1,532,508	30,288	1,951	535	1,942	15,904	822	1,583,950
Depreciation								
At 1 April 2002	475,793	5,471	—	—	69	9,094	—	490,427
Charge in the year	11,109	431	—	—	3	2,677	—	14,220
Donations	—	—	—	—	—	—	—	—
Disposals	—	—	—	—	—	(1,310)	—	(1,310)
Revaluation	44,876	—	—	—	—	—	—	44,876
Write back due to revaluation	(1,214)	—	—	—	—	100	—	(1,114)
At 31 March 2003	530,564	5,902	—	—	72	10,561	—	547,099
Net Book Value 31 March 2003	1,001,944	24,386	1,951	535	1,870	5,343	822	1,036,851
Net Book Value 31 March 2002	899,681	24,499	1,951	449	1,714	4,159	671	933,124

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 of Valuation at 1 April 2002	173,990	166	1,172,850	249	13,189	6,280	8,750	1,375,474
Additions	—	—	3,087	—	41	—	—	3,128
Assets Completed	—	—	6,280	—	—	(6,280)	—	—
Donations	—	—	—	—	—	—	—	—
Disposals	—	—	—	—	—	—	—	—
Relifed/Revalued	—	—	—	—	—	—	—	—
Loss on Revaluation	(10,358)	—	(247)	—	—	—	—	(10,605)
Gain on Revaluation	2,646	6	160,125	9	—	—	1,725	164,511
At 31 March 2003	166,278	172	1,342,095	258	13,230	—	10,475	1,532,508
Depreciation								
At 1 April 2002	—	—	463,020	11	12,762	—	—	475,793
Charge in the year	—	—	11,072	10	27	—	—	11,109
Disposals	—	—	—	—	—	—	—	—
Revaluation	—	—	44,876	—	—	—	—	44,876
Write back due to revaluation	—	—	(1,203)	(11)	—	—	—	(1,214)
At 31 March 2003	—	—	517,765	10	12,789	—	—	530,564
Net Book Value 31 March 2003	166,278	172	824,330	248	441	—	10,475	1,001,944
Net Book Value 31 March 2002	173,990	166	709,830	238	427	6,280	8,750	899,681

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.

All assets are owned outright and none are either financed leased or on a balance sheet PFI contract.

Parliamentary estate

A full 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 at 31 March 2003 was £1,033,000,000 (House of Commons share £619,800,000). The total value of the Portcullis House adaptations at 31 March 2003 was £179,878,000. 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 £10,475,000 using Open Market Values as at 31 March 2003. The remaining parliamentary estate assets were valued at £195,672,715 (House of Commons share £191,790,753) as at 31 March 2003 using Existing Use Value.

Land and Buildings analysed by Net Book Value (House of Commons share)

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

	<u>Land</u>	<u>Building</u>	<u>Investment</u>	<u>Total</u>
1 Canon Row	2,940,000	5,250,000		8,190,000
2 Canon Row	575,000	840,385		1,415,385
4 Canon Row	584,000	853,538		1,437,538
1 Derby Gate	4,880,000	7,076,000		11,956,000
22 John Islip Street	182,000	326,345		508,345
1 Parliament Street	8,780,000	12,745,161		21,525,161
2 Parliament Street	840,000	1,227,692		2,067,692
3 Parliament Street	984,000	1,437,158		2,421,158
Norman Shaw North	8,137,500	14,615,337		22,752,837
Norman Shaw South	5,425,000	17,376,346		22,801,346
102 Rochester Row	172,000	247,680		419,680
Abingdon St Car Park	—	—	5,325,000	5,325,000
11 Bridge Street	—	—	1,300,000	1,300,000
Portcullis House	33,950,000	241,781,637		275,731,637
Palace of Westminster	99,000,000	520,800,000		619,800,000
Improvements	—	441,974		441,974
Units A, B & C Portcullis House	—	—	3,850,000	3,850,000
NBV at 31 March 2003	<u>166,449,500</u>	<u>825,019,253</u>	<u>10,475,000</u>	<u>1,001,943,753</u>

Investment Properties

The investment properties have been valued at Open Market Value by a Fellow of the Royal Institute of Chartered Surveyors. These properties include the car park at Abingdon Street, 11 Bridge Street and Units A, B and C in Portcullis House.

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 2003, 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).

Notes to the Accounts—continued**New Financial System**

The costs incurred for the implementation of Agresso software in 2001–02 has been capitalised at current cost and is written off over the anticipated life of six years. It has been valued using appropriate indices from historical table 4 of the Office of National Statistics publication MM17 “Price index numbers for current cost accounting”.

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 2003, it was concluded that no adjustment was required.

The Great Clock

The clock was last valued as at 31 March 2003 using appropriate indices from historic table 4 of the Office of National Statistics publication MM17 at £3,111,789 (House of Commons share £1,867,073).

Donated Assets

Eleven works of art with a value of £2,500 were donated to the House of Commons in the year ended 2002–03.

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		7,633
Movement in Creditors		
Balance at 31 March 2002	82	
Balance at 31 March 2003	(232)	<u>(150)</u>
Cash Fixed Asset Additions		<u>7,483</u>

Treatment of revaluation losses

		<u>£000</u>
Amounts charged to operating costs		(368)
Amounts realised against revaluation reserve		<u>(10,605)</u>
		<u>(10,973)</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.

The greater part of the revaluation gain is related to the Parliamentary Estate.

There was a revaluation loss on Portcullis House on the date of completion, this is being reversed by subsequent gains. The gain in 2002–03 was greater than the brought forward loss, therefore the balance has been recognised in the Revaluation Reserve.

		<u>£000</u>
Loss brought forward to offset against future gains		(20,909)
Gain in 2002–03	38,503	
Backlog depreciation on Portcullis House	<u>(700)</u>	<u>37,803</u>
Gain to be recognised in revaluation reserve		<u>16,894</u>
Gain to be recognised in operating costs		<u>20,909</u>

Calculation of disposal losses

		<u>£000</u>
Total disposals		1,351
Accumulated depreciation		(1,310)
Unrealised element of revaluation		<u>(31)</u>
		10
Receipts for the sale of furniture and equipment		<u>(28)</u>
(Profit)/Loss		<u>(18)</u>

Notes to the Accounts—*continued*

Movement in revaluation reserve within the current year:

	<u>£000</u>	<u>£000</u>
Revaluation gain during the year	164,769	
Relief/revaluation	319	
Gain taken to operating costs	<u>(20,909)</u>	144,179
Less		
Revaluation loss netted against reserve		(10,605)
Net back log depreciation		(43,762)
Unrealised element of disposals		<u>(31)</u>
		89,781
Transfer realised element to General Fund (note 20)		<u>(1,467)</u>
		<u>88,314</u>

12. Intangible fixed assets

	<u>Computer software £000</u>
Cost or valuation	
At 1 April 2002	246
Additions	467
Disposals	—
Revaluation	—
At 31 March 2003	<u>713</u>
Amortisation	
At 1 April 2002	135
Charged in year	210
Disposals	—
Revaluation	—
At 31 March 2003	<u>345</u>
Net book value at 31 March 2003	<u>368</u>
Net book value at 31 March 2002	<u>111</u>

13. Movements in working capital other than cash

	<u>2002–03 £000</u>	<u>2001–02 £000</u>
Increase/(decrease) in debtors	903	(238)
Increase/(decrease) in stock	67	(420)
(Increase)/decrease in creditors	<u>(1,897)</u>	291
Movements in working capital other than cash excluding amounts due to the Consolidated Fund	<u>(927)</u>	<u>(367)</u>
Increase in capital creditors	150	(150)
Adjustment for CFER debtor	<u>(2)</u>	—
Adjustments for movements in working capital other than cash per Schedule 4	<u>(779)</u>	<u>(517)</u>
Increase/(decrease) in capital creditors	(150)	150
(Increase) in excess A in A debtor	(162)	—
Transitional adjustment for outstanding balances relating to the Administration Appropriation Accounts 2000–01	<u>404</u>	—
Changes in working capital other than cash per Schedule 1	<u>(687)</u>	<u>(367)</u>

Notes to the Accounts—*continued*

14. Stock and work in progress

	<u>2002–03</u>	<u>2001–02</u>
	<u>£000</u>	<u>£000</u>
Consumables and finished goods	436	369
Work in progress	—	—
	<u>436</u>	<u>369</u>

15. Debtors

	<u>2002–03</u>	<u>2001–02</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year		
Trade debtors (Note)	1,755	1,128
Deposits and advances	249	247
VAT and other taxes	2,574	1,964
Other debtors	10	77
Prepayments and accrued income	1,569	1,838
	<u>6,157</u>	<u>5,254</u>

Note — Included within trade debtors is £162k (2001-02: £0k) representing excess Appropriations in Aid that will be due to the Consolidated Fund once the debts are collected.

16. Cash at bank and in hand

	<u>2002–03</u>	<u>2001–02</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April	1,553	5,541
Net cash inflow/(outflow)	3,781	(3,988)
Balance at 31 March	<u>5,334</u>	<u>1,553</u>

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

The following balances are held at 31 March:

Balances at OPG	503	(1,614)
Commercial banks and cash in hand	2,241	167
Investment account	2,590	3,000
Balance at 31 March	<u>5,334</u>	<u>1,553</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	2,847	1,544
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	568	9

House of Commons Commission reserve balance	1,919	—
	<u>5,334</u>	<u>1,553</u>

Notes to the Accounts—*continued*

17. Creditors

	as at 31 March 2003 <u>£000</u>	as at 31 March 2002 <u>£000</u>
Amounts falling due within one year:		
Other tax and social security	24	21
Trade creditors — current	3,769	2,141
Trade creditors — capital	232	82
Members	172	152
Other creditors	244	287
Accruals and deferred income	<u>2,379</u>	<u>2,240</u>
	6,820	4,923
Amounts issued from the Consolidated Fund for supply but not spent at year end	2,847	1,544
Consolidated Fund extra receipts received and receivable due to be paid to the Consolidated Fund	<u>730</u>	<u>9</u>
	10,397	6,476

18. Provisions for liabilities and charges

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

	Pensions <u>£000</u>	Early Departure Costs <u>£000</u>	Legal claims <u>£000</u>	Total <u>£000</u>
Balance at 1 April 2002	110,979	139	—	111,118
Provision in year	6,605	38	107	6,750
(Payments in year)	(5,922)	(59)	—	(5,981)
Transfers in	791	—	—	791
Other receipts in year	873	—	—	873
Unwinding of discount	—	(7)	—	(7)
Balance at 31 March 2003	113,326	111	107	113,544

Pensions

A full actuarial valuation was carried out at 31 March 2003 by the Government Actuary's Department (GAD). The major assumptions used by the actuary were the following percentages above inflation:

	at 31 March 2003
Rate of increase in salaries	4.9%
Rate of increase in pensions in payment	3.4%
Rate used to discount scheme liabilities	7.0%

The present value of the scheme liabilities is £144 million. This is the current best estimate from GAD, as due to the uncertainties in relation to the membership data of HOCSPS for active members, the actual liability is likely to be in the range of up to 3% higher or 3% lower than has been provisionally estimated (+/- £4.3 million).

Information to support full Financial Reporting Standard 17 disclosure is not yet available.

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

Notes to the Accounts—continued**Early departure costs**

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(ers) benefits and reimbursements from other organisations.

Legal claims

Provision has been made for various legal claims against the House of Commons. The provision 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.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 26.

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

	2002–03		2001–02	
	£000	£000	£000	£000
Net operating cost for the year (Schedule 2)	(179,276)		(165,426)	
Income from 2002–03 not appropriated in aid payable to the Consolidated Fund	(730)		32	
		(180,006)		(165,394)
Net parliamentary funding		141,175		131,052
Reversal of prior year Consolidated Fund creditor	1,553			
Adjustment of prior year Consolidated Fund creditor	(27)			
Prior year cash surrender adjustment	(11)	1,515		1,483
Transferred to general fund of realised element of revaluation reserve		1,468		1,088
Transferred from general fund to House of Commons Commission reserve		(1,919)		
Consolidated Fund creditor for cash unspent		(2,847)		(1,553)
Non cash charges				
Cost of capital	52,636		48,283	
Auditors' fee	130		135	
		52,766		48,418
Transitional adjustment for outstanding balances relating to the Administration Appropriation Accounts 2000–01.		—		531
Net increase in general fund		12,152		15,625
General fund at 1 April		611,181		595,556
General fund at 31 March		623,333		611,181

Notes to the Accounts—*continued*

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 2002	4,188	207,292	211,480
Arising from revaluation during the year (net)	—	89,781	89,781
Transferred to general fund in respect of realised element of revaluation reserve	—	(1,467)	(1,467)
Balance at 31 March 2003	<u>4,188</u>	<u>295,606</u>	<u>299,794</u>

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 2002	156
Additions during the year	3
Release to the general fund	—
Balance at 31 March 2003	<u>159</u>

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

House of Commons Commission Reserve

	<u>£000</u>
Balance at 1 April 2002	—
Additions during the year	1,835
Interest received	84
Release to the general fund	—
Balance at 31 March 2003	<u>1,919</u>

21. Notes to Schedule 5

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

Capital employed by Aims and Objectives

	<u>2002–03 Capital Employed</u>	<u>2001–02 Capital Employed</u>
	<u>£000</u>	<u>£000</u>
House of Commons objectives as at 31 March	<u>925,205</u>	<u>822,817</u>

Notes to the Accounts—continued**22. Capital commitments**

	<u>2002–03</u>	<u>2001–02</u>
	<u>£000</u>	<u>£000</u>
Contracted capital commitments at 31 March for which no provision has been made	7,659	5,136

23. Commitments under leases**Operating Leases**

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

	<u>2002–03</u>	<u>2001–02</u>
	<u>£000</u>	<u>£000</u>
Obligations under operating leases comprise:		
Land & Buildings:		
Expiry within 1 year	—	—
Expiry within 2 to 5 years	—	—
Expiry thereafter	6,023	5,647
	<u>6,023</u>	<u>5,647</u>
Other:		
Expiry within 1 year	12	—
Expiry within 2 to 5 years	527	429
Expiry thereafter	—	48
	<u>539</u>	<u>477</u>

Finance Leases

There were no finance leases held during 2002–03.

24. Commitments under PFI contracts

The House of Commons has not entered into any PFI contracts in 2002–03.

25. Other financial commitments

The House of Commons has no other financial commitments.

26. Contingent liabilities**Personal Injuries**

The House of Commons has a number of outstanding personal injuries claims. If all of these claims were successful the total liability would be £163,850. The House does not expect to receive any re-imbursment for costs.

Employment Tribunals

The House of Commons has a number of employment tribunals claims outstanding. If all of these claims were successful the total liability would be £2,500. The House does not expect to receive any re-imbursment for costs.

Notes to the Accounts—continued**Works of Art**

In addition to these contingent liabilities, the House of Commons has works of art on loan from various collections, which are indemnified to a value of £5,975,000. This is an estimate of the value of works of art previously on loan plus any current year additions.

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 2003, the balance relating to accommodation and works services owed to the House of Lords was £180,000. In relation to other shared services the balance owed to the House of Commons was £4,000. The total amount of expenditure incurred by the House of Commons on behalf of the House of Lords was £18,816,000. The House of Lords incurred £339,000 of expenditure on behalf of the House of Commons during 2002–03. The balance owed to the House of Lords by the House of Commons was £56,000.

The House of Commons also provides accounting services and accommodation to the History of Parliament Trust and the British-Irish Inter-Parliamentary Body (BIIPB) and accommodation to the British American Parliamentary Group. The House made payments of £144k on behalf of the BIIPB in 2002–03. At the year end, the balance due from BIIPB in respect of 2002–03 expenditure was £39k.

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.

Notes to the Accounts—continued**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 departments financial assets and liabilities as at 31 March 2003.

	<u>Book value</u>	<u>Fair value</u>	<u>Basis of Fair valuation</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Primary financial instruments	—	—	—
Financial assets	—	—	—
Cash at bank & in hand	5,334	5,334	—
Financial liabilities	—	—	—
Provisions	(113,571)	(113,571)	<i>Note</i>

Note — Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 6% in real terms.

29. Third party assets

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

	<u>2002–03</u>	<u>2001–02</u>
	<u>£000</u>	<u>£000</u>
Gratuities and Service Charges	34	21

30. Entities within the responsibility of the House of Commons Commission

The House of Commons has no relevant entities.

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.

There were additional losses of £121,637 incurred during the financial year.

32. Post Balance Sheet Events

The following non-adjusting post balance sheet events occurred:

A new financial system, Agresso, is being introduced 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 2003 are included in Note 11.

Total payment, including compensation, from London Underground in respect of Portcullis House is in the process of being agreed.

