

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

(For the year ended 31 March 2002)

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Resource Accounts 2001–02

Foreword to the Accounts

For the year ended 31 March 2002

Scope of the Accounts

The House of Commons: Members accounts include all expenditure previously accounted for as Class XVIII, Vote 4 House of Commons: Members' salaries etc. It primarily supports Members of Parliament in their duties as constituency Members and by providing their salaries and allowances.

Purpose

The purpose of the House of Commons: Members Estimate is to remunerate and support the Members of the House of Commons in discharging their duties and responsibilities in the constituency, in Parliament and elsewhere by paying: parliamentary salaries; for relevant expenses incurred including travel, office, staff and equipment; for insurance; for other associated items. It also provides funding for financial assistance to Opposition parties and an Exchequer contribution to the Members' Fund.

Objectives

The House of Commons: Members accounts have the following objectives:

- to provide funding to pay salaries and expenses of Members of Parliament;
- to provide central funds in support of its general objectives;
- to provide an Exchequer contribution to Members' pensions;
- to provide financial assistance to Opposition parties; and
- to pay a grant to the Members' Fund.

Activities

All monies paid to Members of Parliament through the House of Commons: Members accounts are governed by resolutions of the House. As these resolutions are debated and agreed on the floor of the House of Commons, Members are accountable for the way in which they receive their pay and allowances. The House of Commons: Members accounts provide for the following services:

- *Members' Parliamentary Salaries* are paid to all Members who have taken the oath (Ministerial Salaries are paid by the relevant Department of State).
- A new *Staffing Allowance* was introduced in July 2001, following recommendations made by the Review Body on Senior Salaries, to pay for the equivalent of up to three full-time members of staff.
- The *Incidental Expenses Provision (IEP)*, also introduced in July 2001 is intended to cover a range of office and other expenditure, to the extent that it is not met by other aspects of provision. Provision of IT equipment is now managed centrally, within a predetermined entitlement, by the House.

- *Additional Costs Allowance* reimburses Members of Parliament for expenses incurred when staying overnight away from their main home whilst performing their duties. Members with inner London constituencies, Office Holders and Ministers who do not have an official London residence, are paid London Supplement.
- *Travel Allowance* reimburses Members and staff for expenses incurred when travelling in the pursuit of their official duties. There is also some provision for travel by family members. Although there are no restrictions on the number of journeys Members may undertake, families and staff are restricted according to the rules laid down in various resolutions of the House.
- *Staff Pensions* are provided up to a maximum of 10% of an employee's earnings, but subject to an overriding limit of 10% of the Staffing Allowance for each Member.
- *A Resettlement Grant* is payable to any Member who leaves the House of Commons at a General Election. The amount of the grant due varies according to salary, age and length of service at the time of the dissolution of the House.
- *Winding Up Allowance* is payable to meet the costs of any official work undertaken on behalf of a deceased, defeated or retiring Member after the date on which they cease to be a Member of Parliament. All other allowances cease on this date.
- *Financial Assistance to Opposition Parties* is available to assist Opposition parties to carry out their official duties.
- *The Members' Fund* provides for ex-Members and their dependants who find themselves in difficult circumstances, it is funded jointly by a grant from the House of Commons: Members accounts and contributions from Members.
- *Central Budget*. There is a central budget for the provision of IT equipment for use by Members, communications, training, various insurances and other incidental and support purposes.

In addition, the *Office Costs Allowance (OCA)* was available to cover normal expenses required to set up and run a Member's office, including the payment of secretarial and research assistance. This allowance was, in effect, replaced by the new staffing allowance, the IEP and central provision of IT equipment, but Members have the choice to remain with the OCA until 31 March 2003.

Important Events

The main event affecting these accounts during the year were the resolutions of the House of 5 July 2001, which phased out the OCA, and brought in new arrangements, outlined above. They also made provision for a panel to advise the Speaker and the Leader of the House on allowance matters.

Annual Report

A separate report is not published for these accounts. However, reference to the activities funded by the House of Commons: Members accounts is made in both the Cabinet Office report and the House of Commons Commission annual report published on 10 July 2001. Copies of both reports can be obtained from The Stationery Office.

Pensions

All Members are entitled to join the Parliamentary Contributory Pension Scheme (PCPF). The scheme is a defined benefit scheme funded by contributions from Members and the Exchequer. It is administered by a board of trustees appointed by the House of Commons. With effect from April 2001, the Managing Trustees agreed to the transfer of the Fund accounting and payroll provisions and custody from the Public Trustee to Capita Hartshead and the Bank of New York respectively. The accounts of the PCPF are published separately; copies can be obtained from the Department of Finance & Administration.

Management

The management structure for the House of Commons: Members accounts is set out in a statement of policies dated July 2001.

Public Interest

The House of Commons consists of 659 Members elected by their constituents. It is self-governing and constitutionally separate from the Government. The House 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.

The House of Commons has a policy of paying all Members' claims within ten working days of receipt. Third party payments to statutory bodies and external suppliers are paid by the statutory due date, or within 30 days of invoice date whichever is sooner.

The Comptroller and Auditor General audits the financial accounts of the House of Commons.

Roger Sands
Accounting Officer

29 January 2003

Statement of Accounting Officer's Responsibilities

1. HM Treasury lays the Estimate for the House of Commons: Members accounts. However, the accountability arrangements are approved by the Speaker.
2. The Clerk of the House has been appointed as Accounting Officer for the House of Commons: Members accounts by the Speaker.
3. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs, the net resource outturn, recognised gains and losses and cash flows for the financial year.
4. The Accounting Officer is responsible for the House of Commons Resource Accounting Manual. He should ensure that the Resource Accounts:
 - Observe the relevant accounting and disclosure requirements, and apply suitable applicable accounting policies on a consistent basis;
 - Include judgements and estimates 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.
5. 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: Members Estimate. As Accounting Officer for this Estimate, I acknowledge my responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned, while safeguarding the public funds and assets for which I am personally responsible.

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

The system of internal control involves a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Appropriate budgeting systems with an annual budget;
- Procedures to agree and review the budgets;
- Resource accounting policies and procedures; and
- The preparation of regular financial reports which indicate actual expenditure against the forecasts.

The House of Commons has an Internal Review Service (IRS), which operates broadly to standards defined in the Government Internal Audit Manual. The work of the IRS is informed by the analysis of risk to which the House of Commons is exposed, and annual internal audit plans are based on this analysis. At least annually, the Director of the IRS provides me with an independent report on the internal 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.

The framework of rules governing the administration of Members' allowances, which are paid from the House of Commons: Members Estimate is drawn from resolutions of the House of Commons. The framework is based on the principle that Members are primarily responsible for identifying and authorising their own expenditure on allowances. The Department of Finance and Administration is responsible for ensuring that the stated purpose of Members' claims falls within the agreed framework. The controls on allowance expenditure therefore ensure that payments are correctly accounted for and paid to the correct recipient; but it is primarily the responsibility of Members to ensure the regularity and propriety of expenditure for which they claim reimbursement. The change in the structure of the Members' allowances introduced by resolutions of the House on 5 July 2001 has improved control and ensures greater accountability and auditability. In particular, central provision of IT equipment, within fixed parameters, and clearer arrangements for staffing provision, help to ensure greater transparency and accountability in complying with the resolutions of the House.

My review of the effectiveness of the system of internal control is informed by the work of IRS and also the administrative staff of the House of Commons who have responsibility for the development and maintenance of the control framework, and 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 system within the ambit of the House of Commons: Members accounts during 2001–02, following the steps that have been taken on risk awareness and risk management. I expect to see further improvement in 2002–03.

Roger Sands
Accounting Officer

29 January 2003

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

I certify that I have audited the financial statements on pages 10 to 27. 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 16 to 18.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 6, 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 Foreword. My responsibilities, as independent auditor, are established by statute and are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I report if, in my opinion, the Foreword is not consistent with the financial statements. I also report if the House of Commons Service (the Department of Finance and Administration) has not kept proper accounting records to support the Members Resource accounts, or if I have not received all the information and explanation I require for my audit.

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

I review whether the statement on page 7 reflects the House of Commons' application, as best practice, of Treasury's guidance "Corporate Governance: Statement on Internal Control". I report if the statement does not reflect appropriate application of the Treasury guidance, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

As set out in the Statement on Internal Control (page 7), the framework of rules governing the administration of Members' allowances is drawn from resolutions of the House of Commons. The framework is based on the principle that Members are primarily responsible for identifying and authorising their own expenditure on allowances. The House of Commons Service (the Department of Finance and Administration) is responsible for ensuring that the stated purpose of Members' claims falls within the agreed framework. The controls on allowance expenditure therefore ensure that payments are correctly accounted for and paid to the correct recipient; but it is primarily the responsibility of Members to ensure the regularity and propriety of expenditure for which they claim reimbursement. My audit of these allowances considers whether payments from the House of Commons: Members Estimate are supported by Members' claims, whether the purpose of the expenditure stated on the claims meets that of the relevant allowance, and whether the House of Commons Service (the Department of Finance and Administration) have properly accounted for these claims.

Basis of audit opinion

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

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

Opinion

In my opinion:

- The financial statements give a true and fair view of the state of affairs of the House of Commons: Members at 31 March 2002 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared; and
- In all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

John Bourn
Comptroller and Auditor
General

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

31 January 2003

SCHEDULE 1

Summary of Resource Outturn
for the year ended 31 March 2002

	Estimate			Outturn			Net total outturn compared with Estimate saving/ (excess) 7	2000–01 (unaudited) Prior Year Outturn 8
	Gross Expenditure 1	A in A* 2	NET TOTAL 3	Gross Expenditure 4	A in A* 5	NET TOTAL 6		
	£000	£000	£000	£000	£000	£000		
Request for Resources 1: Members' Salaries, etc.	120,208	—	120,208	114,896	—	114,896	5,312	89,091
Request for Resources 2: Grants to other bodies	5,347	—	5,347	5,263	—	5,263	84	5,231
Total Resources	125,555	—	125,555	120,159	—	120,159	5,396	94,322
Non-Operating Cost Appropriations in Aid			—	—	—	—	—	—
Net Cash Requirement			129,648			116,567	13,081	94,400
Reconciliation of resources to cash requirement								
	<u>Note</u>	<u>£000</u>				<u>£000</u>	<u>£000</u>	<u>£000</u>
Net total resources		125,555				120,159	5,396	94,322
Capital: Acquisition of fixed assets	8b	5,883				4,459	1,424	—
Accruals adjustments:								
Non-cash items	3	(1,672)				(1,123)	(549)	(49)
Changes in working capital other than cash	9	—				(6,928)	6,928	127
Adjustment to reflect departmental underspending on cash		(118)				—	(118)	—
Net cash requirement (Schedule 4)		129,648				116,567	13,081	94,400

Explanation of the variation between Estimate and Outturn on request for Resource 1:

The variance between Estimate and Outturn is due to the uncertainty in the take-up of the new allowances in the remainder of 2001–02, after receiving a winter supplementary estimate to cover the change in the allowance structure as introduced in July 2001, following recommendations made by the Review Body on Senior Salaries.

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

The variance between Estimate and Outturn is due to the uncertainty in the take-up of the new allowances in the remainder of 2001–02, after receiving a winter supplementary estimate to cover the change in the allowance structure as introduced in July 2001, following recommendations made by the Review Body on Senior Salaries.

Analysis of income payable to the Consolidated Fund

The following income relates to the House and it is payable to the Consolidated Fund (cash receipts being shown in italics).

Note	2001–02 Forecast		2001–02 Outturn	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
	£000	£000	£000	£000
Operating income and receipts – excess Appropriations in Aid	—	—	—	—
Non-operating income and receipts – excess Appropriations in Aid	—	—	—	—
Subtotal	—	—	—	—
Other operating income not classified as Appropriations in Aid	—	—	—	—
Other non-operating income not classified as Appropriations in Aid	—	—	18	<i>18</i>
Other amounts collectable on behalf of the Consolidated Fund	—	—	—	—
Excess cash receipts surrenderable to the Consolidated Fund	—	—	—	—
Total	—	—	18	<i>18</i>

Actual outturn — resources

Request for resources 1: Actual amount net resources outturn £114,896,285.08. Actual amount of savings in resources over Estimate £5,311,714.92.

Request for resources 2: Actual amount net resources outturn £5,263,307.60. Actual amount of savings in resources over estimate £83,692.40.

Actual outturn — cash

Net cash requirement: Outturn net requirement £116,566,850.41 which is £13,081,149.59 less than the Estimate.

Actual cash receipts surrenderable to the Consolidated Fund equalled £17,659.04. There was no excess vote.

SCHEDULE 2

Operating Cost Statement

for the year ended 31 March 2002

	Note	2001–02		2000–01 (Unaudited)	
		£000	£000	£000	£000
Programme Costs					
Request for Resources 1 — Members Salaries etc					
Members' Salaries	2	37,329		35,118	
Members' Pensions	2	2,856		2,657	
Other costs	3	74,711		51,316	
			114,896		89,091
Request for Resources 2 — Grants to other bodies					
Other costs	3	5,263		5,231	
			5,263		5,231
Net operating cost	4		120,159		94,322
Net Resource Outturn	4		120,159		94,322

All income and expenditure are derived from continuing operations.

There were no Recognised Gains or Losses during the year.

The notes on pages 16 to 27 form part of these accounts

SCHEDULE 3

Balance Sheet

as at 31 March 2002

	Note	2001–02		2000–01 (Unaudited)	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	8	2,947		—	
Intangible assets	8a	152		—	
			3,099		—
Current Assets					
Debtors	10	628		395	
Cash at bank and in hand	11	2,167		777	
		2,795		1,172	
Current Liabilities					
Creditors (amounts falling due within one year)	12	(12,565)		(4,149)	
Net Current Assets			(9,770)		(2,977)
Total Assets less Current Liabilities			(6,671)		(2,977)
			(6,671)		(2,977)
Taxpayers' Equity					
General Fund	13		(6,671)		(2,977)
			(6,671)		(2,977)

Roger Sands
Accounting Officer

29 January 2003

The notes on pages 16 to 27 form part of these accounts

SCHEDULE 4

Cash Flow Statement

for the year ended 31 March 2002

	Note	2001–02 £000	2000–01 (Unaudited) £000
Net cash outflow from operating activities	a	(112,295)	(94,400)
Capital expenditure and financial investment	b	(4,272)	—
Financing	c	117,957	94,453
Increase in cash during the period		1,390	53

Note a — See the table below giving a reconciliation of operating cost to operating cash flows

	Note	£000	£000
Net operating cost		120,159	94,322
Adjustments for non cash transactions	3	(1,123)	(49)
Adjustments for movements in working capital other than cash	9	(6,741)	127
Net cash outflow from operating activities		112,295	94,400

Note b — Analysis of capital expenditure and financial investment

	Note	£000	£000
Intangible fixed asset additions	8a	224	—
Tangible fixed asset additions	8	4,048	—
Proceeds of disposal of fixed assets		—	—
Loans to other bodies		—	—
Repayment of loans to other bodies		—	—
Net cash outflow from capital expenditure		4,272	—

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

	Note	£000	£000
From the Consolidated Fund (Supply): current year	13	117,957	94,453
Net Financing		117,957	94,453
(Increase) in cash	11	(1,390)	(53)
Net cash flows other than Financing		116,567	94,400
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		—	—
Excess A in A		—	—
Amounts due to the Consolidated Fund — received not paid over			
Other amounts		—	—
Excess A in A		—	—
Net cash requirement for the year (Schedule 1)		116,567	94,400

(i) Amount of grant actually issued to support the net cash requirement equalled £117,957,158.00

The notes on pages 16 to 27 form part of these accounts

SCHEDULE 5

Resources by Aims and Objectives

For the year ended 31 March 2002

	<u>Note</u>	<u>Gross</u> <u>£000</u>	<u>Income</u> <u>£000</u>	<u>Net</u> <u>£000</u>
Request for Resources 1: Members' Salaries etc	a	114,896	—	114,896
Request for Resources 2: Grants to other bodies	b	5,263	—	5,263
Net Operating Costs		120,159	—	120,159

- a. To put elected Members of Parliament in a position to conduct their work on behalf of their constituents by meeting:
- Salary and related costs of Members and their staff;
 - Office expenses wholly, necessarily and exclusively incurred in the performance of their duties;
 - Appropriate travel costs of Members, their staff, and their families;
 - Centrally provided services including insurance, computers and other IT equipment, help the Members with disabilities, litigation, security, and training for staff.
- b. To put opposition parties in a position to conduct their parliamentary business effectively.

The notes on pages 16 to 27 form part of these accounts

Notes to the Accounts

1. Statement of Accounting Policies

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

1.1 Accounting convention

These accounts have been prepared under the modified historical cost method of accounting for fixed assets.

1.2 Programme expenditure

The Operating Cost Statement shows details of programme costs, which include Members' salaries, allowance and pension costs. Details of how these may be claimed are outlined in the Green Book, issued by the Department of Finance and Administration at the House of Commons.

1.3 Tangible fixed assets

IT equipment has been stated at current cost and has 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". Other Equipment is stated at historic cost. The minimum level for capitalisation of a tangible fixed asset is £1,000.

1.4 Depreciation

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

Depreciation is charged on a straight line basis and is calculated at rates calculated to write off the valuation of tangible fixed assets by equal instalments over their estimated useful lives.

For accounting purposes the lives are in the following ranges:

Computer equipment	four years
Other equipment	three years

1.5 Intangible fixed assets

Intangible fixed assets comprise extended warranty covers purchased through the Members Central IT provision (CIT), amortised over three or four years depending on warranty.

1.6 Research and development

There was no research and development activity during the financial year 2001–02.

1.7 Investments

The House of Commons: Members holds no short term current investments.

1.8 Stocks and work in progress

The House of Commons: Members holds no stocks and has no work in progress.

Notes to the Accounts—continued**1.9 Operating Income**

No operating income is received by the House of Commons: Members.

1.10 Capital charge

A charge, reflecting the cost of capital utilised is calculated at the Government's standard rate of 6% on all assets less liabilities, except cash balances with the Paymaster General (OPG), where the charge is nil. There is negative capital charge to the accounts in 2001-02 as liabilities exceed assets.

1.11 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction into sterling. There were no foreign exchange transactions.

1.12 Pensions

Members of Parliament receive a pension from the Parliamentary Contributory Pension Fund (PCPF). The scheme is a defined benefit scheme funded by contributions from Members and the Exchequer. The scheme is a final salary scheme based on an accrual rate of $\frac{1}{50}$ for every year of service subject to a maximum of $33\frac{1}{3}$ years. Members contribute 6% of basic salary as a regular deduction from pay. The Exchequer also contributes to the PCPF by paying the balance after taking Members' contributions into account. The Government Actuary determines the amount the Exchequer pays after the triennial valuation of the fund. The current rate of contribution is 7.5% of salary per member of the PCPF.

The maximum pension available at 65 is $\frac{2}{3}$ of final salary. There is an option to commute part of the pension for a tax free lump sum dependent on age and length of service.

The Managing Trustees are Members of the House of Commons plus one pensioner. With effect from April 2001, the Managing Trustees agreed to the transfer of the Fund accounting and payroll provisions and custody from the Public Trustee to Capita Hartshead and the Bank of New York respectively. The accounts of the PCPF are published separately. Further information about the Parliamentary Contributory Pension Fund or a copy of the Annual Report can be obtained from The Parliamentary Contributory Pension Fund Secretariat, Pensions Unit, Department of Finance and Administration, House of Commons, London SW1A 0AA.

Ministerial pension contributions from their Departments are disclosed within the relevant Department's accounts.

The costs of administering the scheme is included as an administration cost within the House of Commons: Administration accounts.

1.13 Early departure costs

Under the PCPF scheme rules, normal retiring age is 65, but a Member with at least 20 years' service can retire at 60 with an immediate pension. It is also possible for Members over the age of 50 to retire with an immediate pension that will be subject to an actuarial reduction dependent on age and length of service. In addition, if the Trustees of the PCPF are satisfied that a Member's ill health permanently prevents them from carrying out their duties, they can retire early with an immediate pension. All early retirement costs are met from the Fund and are not identified separately.

1.14 Grants to other Bodies

The House of Commons: Members provides Grants to other Bodies in respect of financial assistance to Opposition Parties and the Members' Fund.

Notes to the Accounts—continued**1.15 Leases**

All costs of operating leases are charged to the Operating Cost Statement as incurred. There were no operating or finance leases in the House of Commons: Members.

1.16 Private Finance Initiative (PFI) transactions

The House of Commons: Members has no PFI transactions.

1.17 VAT

The activities of the House of Commons: Members is outside the scope of VAT, and 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.

1.18 Prepayments

The individual allowance payments are brought to account on a cash basis and in the year of account of the allowance supply. Only purchases in advance of insurance and season tickets, which cover a large number of Members, are analysed for their prepayment element.

1.19 Prior Year comparatives

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

1.20 Going Concern

Although the closing balance on the General Fund is negative and is likely to be so in future years, the House of Commons: Members will continue to receive annual funds voted by Parliament which will cover Members' salaries and allowances.

2.1 Member numbers and costs

	Total 2001–02	Total 2000–01 (unaudited)
	£000	£000
Members' salaries	33,937	31,780
London Supplement	175	161
Social Security Costs	3,217	3,177
Pensions	2,856	2,657
Total	40,185	37,775

There are 659 seats in the House of Commons. During 2001–02 657 Members took up their seats with two Members abstaining from taking the oath. The annual salary of each Member is £51,822. Members representing Inner London constituencies, Office Holders and Ministers receive London Supplement. All salary costs relate to Request for Resources 1.

Notes to the Accounts—*continued***2.2 Disclosures in respect of Financial Reporting Standard 17 (FRS 17) Retirement Benefits**

In accordance with the requirements of FRS 17 Retirement Benefits, the Government Actuary's Department provided a provisional valuation of the Parliamentary Contributory Pension Fund as at 31 March 2002. The assumptions set out below are the best estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice.

Rate of inflation — 4.348% per annum
Rate of salary growth — 5.882% per annum
Increases to pre-88 Guaranteed Minimum Pension in payment — 0% per annum
Increases to post-88 Guaranteed Minimum Pension in payment 3% per annum
Increases to excess over Guaranteed Minimum Pension in payment — 4.348% per annum
Increases to total deferred pension — 4.348% per annum
Increases to Guaranteed Minimum Pension in deferment — 5.882% per annum
Rate used to discount liabilities 8% per annum

The assets and liabilities of the Parliamentary Contributory Pension Fund as at 31 March 2002 are as follows:

	UK value at 31 March 2002
	£000
Equities	196,640
Bonds	36,870
Others	12,290
Total fair value of assets	245,800
Present value of Fund liabilities	(273,000)
Deficit in the Parliamentary Contributory Pension Fund at 31 March 2002	(27,200)

2.3 The House of Commons Members Fund (HCMF)

HCMF was set up by the House of Commons Members' Fund Act 1939 as amended by subsequent Acts between 1948 to 1991. The Fund is not a pension scheme as defined by the Resource Accounting Manual or FRS 17 but it functions as a hardship fund and operates to provide for ex-Members and their dependants who find themselves in difficult circumstances. The most recent valuation of the HCMF was as at 30 September 2000. Consequently disclosures in line with FRS 17 are not required and these accounts only show the contribution paid into HCMF each year on behalf of all Members. Separate accounts for the HCMF are published. The audited accounts for the year ended 30 September 2001 are due to be published in Spring 2003; a copy can be obtained from the Department of Finance and Administration at the House of Commons. As at 30 September 2000 the Government Actuary assessed the value of the assets at £3.793 million. The total liability of the fund was £1.811 million, which results in a surplus of £1.982 million.

Notes to the Accounts—*continued*

3. Other Programme Costs

	Total 2001–02		Total 2000–01 (unaudited)	
	£000	£000	£000	£000
3a Other Costs — Members' Salaries, Staff Pensions and Other Expenses				
Office Costs Allowance/Staffing Allowance/IEP	47,178		33,598	
Additional Costs Allowance	10,600		7,932	
Travel	7,497		7,315	
Resettlement Grant	3,527		—	
Contributions to Members' Staff Pensions	2,151		1,949	
Winding Up Allowance	1,470		64	
Insurance	249		82	
Secretarial Redundancy	317		27	
Temporary Secretarial Assistance	429		291	
Miscellaneous- specific services	122		8	
Drafting Private Members' Bills	—		1	
Disability Assistance	5		—	
Member Office Security	22		—	
Write Off	3		—	
Bad Debt Provision	18		—	
		73,588		51,267
Non Cash Items				
Audit Fee	52		49	
Capital Charge	(289)		—	
Depreciation	1,054		—	
Loss on Revaluation	306		—	
		1,123		49
		74,711		51,316
3b Other costs — Grants to Other Bodies				
Financial Assistance to Opposition Parties	5,048		5,016	
Members' Fund	215		215	
		5,263		5,231
Total		79,974		56,547

Members claim for expenditure incurred up to a particular allowance limit each year. In some cases this may include items relating to a previous financial year.

Notes to the Accounts—*continued*

4. Reconciliation of net operating cost to control total and net resource outturn

	2001–02	2000–01 (unaudited)
	<u>Outturn</u>	<u>Outturn</u>
	<u>£000</u>	<u>£000</u>
Net operating cost (Note a)	120,159	94,322
Plus operating income not classified as A in A but within public expenditure	—	—
Net resource outturn (Note a)	<u>120,159</u>	<u>94,322</u>

Note a

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

5. Analysis of net operating cost by spending body

	2001–02		2000–01 (unaudited)	
	Estimate	Outturn	Estimate	Outturn
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Spending Body:				
Members	120,208	114,896	90,218	89,091
House of Commons Members' Fund	215	215	215	215
Financial Assistance to Opposition Parties	5,132	5,048	4,983	5,016
	<u>125,555</u>	<u>120,159</u>	<u>95,416</u>	<u>94,322</u>

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

	2001–02				2000–01 (unaudited)	
	Gross Resource Expenditure	A in A	Net Total	Estimate	Net Total Outturn compared with estimate	Net Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Request for Resources 1: Members' salaries, etc	114,896	—	114,896	120,208	(5,312)	89,091
Request for Resources 2: Grants to other bodies	5,263	—	5,263	5,347	(84)	5,231
Resource outturn	<u>120,159</u>	—	<u>120,159</u>	<u>125,555</u>	<u>(5,396)</u>	<u>94,322</u>
Reconciliation to Operating Cost Statement						
Non Supply expenditure	—	—	—	—	—	—
Non A in A operating income	—	—	—	—	—	—
Gross Operating expenditure	<u>120,159</u>					
Operating Income		—				
Net operating cost			<u>120,159</u>			<u>94,322</u>

Notes to the Accounts—*continued*

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

	Capital expenditure	Loans etc	A in A	Net Total
	£000	£000	£000	£000
Request for Resources 1: Members' salaries, etc	4,459	—	—	4,459
Request for Resources 2: Grants to other bodies	—	—	—	—
	<u>4,459</u>	<u>—</u>	<u>—</u>	<u>4,459</u>

8. Tangible Fixed Assets

	IT Equipment	Other Equipment	Total
	£000	£000	£000
Cost			
At 1 April 2001	—	—	—
Additions	4,232	3	4,235
Disposals	—	—	—
(Loss) on Revaluation	(306)	—	(306)
Gain on Revaluation	—	—	—
At 31 March 2002	<u>3,926</u>	<u>3</u>	<u>3,929</u>
Depreciation			
At 1 April 2001	—	—	—
Charge in the year	981	1	982
Disposals	—	—	—
Revaluation	—	—	—
At 31 March 2002	<u>981</u>	<u>1</u>	<u>982</u>
Net Book Value at 31 March 2002	<u>2,945</u>	<u>2</u>	<u>2,947</u>
Net Book Value at 31 March 2001	<u>—</u>	<u>—</u>	<u>—</u>

The revaluation loss has been taken to the Operating Cost Statement — see note 3.

Notes to the Accounts—*continued***8a. Intangible Fixed Assets**

These comprise of extended warranty covers purchased through the Members CIT provision.

Cost or valuation	IT Equipment £000	Total £000
At 1 April 2001	—	—
Additions	224	224
Disposals	—	—
Revaluation	—	—
At 31 March 2002	224	224
Amortisation		
At 1 April 2001	—	—
Charged in year	72	72
Disposals	—	—
Revaluation	—	—
At 31 March 2002	72	72
Net book value at 31 March 2002	152	152
Net book value at 31 March 2001	—	—

8b. Treatment of fixed asset additions

	£000
Total additions	4,459
Creditors as at 31 March 2002	(187)
Cash Fixed Asset Additions	4,272

9. Movements in working capital other than cash

	2001–02 £000	2000–01 (unaudited) £000
Increase/(decrease) in debtors	233	(62)
(Increase)/decrease in creditors	(6,974)	189
	(6,741)	127
(Increase)/decrease in capital creditors	(187)	—
	(6,928)	127

Notes to the Accounts—*continued*

10. Debtors

	2001–02	2000–01
	<u>£000</u>	<u>(unaudited)</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year		
Members	333	293
Bad debt provision	(18)	—
Deposits and advances	2	—
Other Debtors	191	—
Prepayments and accrued income	120	102
	<u>628</u>	<u>395</u>

11. Cash at bank and in hand

	2001–02	2000–01
	<u>£000</u>	<u>(unaudited)</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April	777	724
Net cash inflow	1,390	53
Balance at 31 March	<u>2,167</u>	<u>777</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	2,167	783
Commercial banks and cash in hand	—	(6)
Cash in hand	<u>2,167</u>	<u>777</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	2,167	777
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	—	—
Other payments due to be paid to the Consolidated Fund	—	—
	<u>2,167</u>	<u>777</u>

Notes to the Accounts—*continued***12. Creditors: amounts falling due within one year**

	2001–02	2000–01 (unaudited)
	<u>£000</u>	<u>£000</u>
Other tax and social security	7	—
Members	2,500	2
Other Creditors	275	156
Accruals and deferred income	7,616	3,079
	<u>10,398</u>	<u>3,237</u>
Amounts issued from the Consolidated Fund for supply but not spent at year end	2,167	912
Consolidated Fund extra receipts received and receivable due to be paid to the Consolidated Fund	—	—
	<u>12,565</u>	<u>4,149</u>

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

	2001–02
	<u>£000</u>
Net operating cost for the year (Schedule 2)	(120,159)
Net parliamentary funding	117,957
Previous year grant transferred	912
Consolidated Fund creditor for cash unspent	(2,167)
Non cash charges	
Capital Charge	(289)
Auditors' fee	52
Net increase in General Fund	(3,694)
General fund at 1 April 2001	(2,977)
General fund at 31 March 2002	(6,671)

14. Revaluation Reserve

The negative revaluation on the IT equipment has been charged to the Operating Cost Statement. There is no revaluation reserve. In line with House of Commons: Members policy the other equipment — an electric wheel chair purchased for the use of one Member — is not revalued.

15. Notes to Schedule 5

The Members' capital is employed exclusively for programme purposes.

Programme expenditure has been allocated as follows:

	2001–02	2000–01 (unaudited)
	<u>£000</u>	<u>£000</u>
Request for Resources 1: Members' salaries, etc	114,896	89,091
Request for Resources 2: Grants to other bodies	5,263	5,231
	<u>120,159</u>	<u>94,322</u>

The total resource outturn against these objectives is: £120,159,592.68.

Notes to the Accounts—*continued***16. Commitments under leases**

The House of Commons: Members has no commitments under leases.

17. Commitments under PFI contracts

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

18. Other financial commitments

The House of Commons: Members has no other financial commitments.

19. Related-party transactions

The House of Commons: Administration is regarded as a related party. The House of Commons Commission provide and account for the following services to Members and their staff; accommodation, utilities, catering, security, communications and administration. In addition, the remuneration package for Members of Parliament is approved by Resolution of the floor of the House of Commons following advice from the Senior Salaries Review Body. Members also act as Managing Trustees for the Parliamentary Contributory Pension Fund and the House of Commons Members' Fund. The Register of Members' Interests provides further details about the inter-relationship between the Members and other parties. The Register is published soon after the beginning of a new Parliament under the authority of the Committee on Standards and Privileges, and annually thereafter. Between publications the Register is regularly updated in a loose leaf form and this is available for public inspection in the Committee Office of the House of Commons. At the discretion of the Registrar, information about individual entries in the Register may be supplied on request. However, the employment agreements deposited with the Registrar are available for personal inspection only.

20. 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: Members has limited exposure to risk in relation to its activities.

Liquidity risk

The House of Commons: Members 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 of Commons: Members financial assets and liabilities carry nil or fixed rate of interest. The account is not therefore exposed to significant interest rate risk.

Foreign Currency Risk

Foreign currency will not usually form part of the House of Commons: Members assets or liabilities and as such it is not exposed to any significant foreign currency risk.

Notes to the Accounts—*continued*

21. Entities within the boundary

The House of Commons: Members has no entities within its boundary.
