

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

**(For the year ended 31 March 2005)**

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**Contents**

	Page
<b>Members Resource Accounts 2004–05:</b>	
Foreword to the Accounts	3
Statement of Accounting Officer’s Responsibilities	11
Statement on the System of Internal Control	12
Certificate and Report of the Comptroller and Auditor General	14
Statement of Parliamentary Supply	16
Operating Cost Statement	17
Statement of Recognised Gains & Losses	17
Balance Sheet	18
Cash Flow Statement	19
Statement of Resources by Aim	20
Notes to the Accounts	21
<b>Members Estimate Audit Committee:</b>	
Annual Report	33

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## Resource Accounts 2004–05

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### Foreword to the Accounts

For the year ended 31 March 2005

### Scope of the Accounts

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This Supply Estimate primarily supports Members of Parliament in discharging their parliamentary duties and responsibilities.

### Purpose

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The Estimate remunerates and supports Members of the House of Commons in discharging their duties and responsibilities in the constituency, in Parliament and elsewhere by funding: parliamentary salaries and associated pension contributions, reimbursing certain expenses incurred by Members (including travel, office costs, staff and equipment), payment of insurance, central provision of IT equipment, provision of training for Members and their staff, and other associated costs and non-cash items. It also provides financial assistance to Opposition parties to support them in the discharge of their parliamentary functions; and it provides the Exchequer contribution to the Members' Fund.

### Objectives

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The objectives of the House of Commons: Members supply, are as follows:

- 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;
  - 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 for Members with disabilities, litigation, security, and training for staff.
- b. To put Opposition parties in a position to conduct their parliamentary business effectively.
- c. To provide an annual grant to the Members' Fund to assist former Members and their dependants.

### Activities

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All monies paid to Members of Parliament through the Estimate are governed by Resolutions of the House. These Resolutions are debated and agreed on the floor of the House of Commons. Members are individually accountable for their decisions and actions in approving and claiming their pay and allowances. The Estimate provides 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);
- *Staffing Allowance* pays for the equivalent of up to three full-time members of staff;

- *Incidental Expenses Provision (IEP)* covers a range of office and other expenditure, to the extent that it is not met by other aspects of provision;
- *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, were paid a London supplement up to 31 March 2005;
- *Travel Allowance* reimburses Members and their 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 resolutions of the House;
- *Staff Pensions* are provided up to a maximum of 10% of an employee's earnings over the period of employment, 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 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 parliamentary business;
- The *Central Budget* provides IT equipment for use by Members, communications, training, various insurances and other incidental purposes.

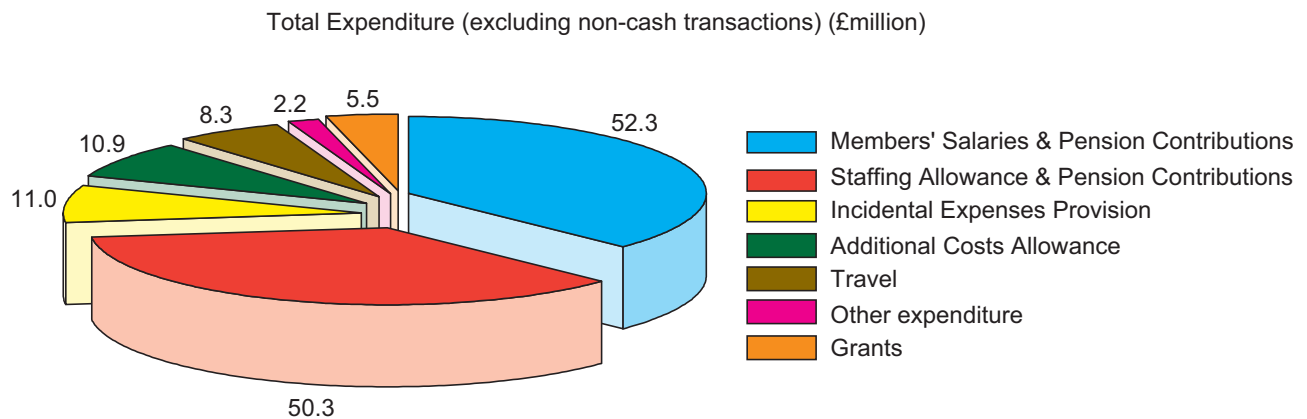
### Operating and financial review

During the year Members were able to draw on a staffing budget of between £66,458 and £77,534, an Incidental Expenses Provision of £19,325 and an Additional Costs Allowance of £20,902 as well as certain travel for themselves, their family and staff, and centrally provided IT equipment.

The net resource outturn was £3.0 million less than the Estimate. This represents an underspend of 2%. Variances between the Estimate and outturn arose because:

- Spending is at the discretion of Members of Parliament and does not always follow historic trends;
- Members of Parliament are allowed to submit claims up to 2 months after the close of the financial year, with these claims being included in the resource figures. The calling of the General Election for 5 May 2005 influenced the levels of claims submitted.

The net cash outturn was £4.6 million less than the Estimate. This represents an underspend of 3.2%. The larger underspend on cash can be attributed to the fluctuations in year-end claims already mentioned.



### Members' 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. The scheme is administered by trustees appointed by the House of Commons. The administration of the Members' pension scheme is carried out by the Superannuation Arrangements of the University of London (SAUL). The accounts of the PCPF are published separately; copies can be obtained from the Department of Finance and Administration.

### The Members' Fund

*The Members' Fund* provides for ex-Members and their dependants who find themselves in difficult circumstances. It also pays certain "as of right" benefits. It is funded jointly by a grant from the House of Commons: Members Estimate and contributions from Members. It is administered by trustees appointed by the House of Commons. The accounts of the Members' Fund are published separately; copies can be obtained from the Department of Finance and Administration.

### Governance

The management arrangements for the House of Commons: Members Estimate are set out in a statement of Roles and Authorities dated June 2004.

All monies paid to Members of Parliament through the Estimate are governed by Resolutions of the House. Governance arrangements for the Members Estimate are covered by the Members' Estimate Committee which has the same membership as the House of Commons Commission<sup>1</sup>.

<sup>1</sup> At 31 March 2005 the House of Commons Commission comprised of the Speaker (Rt Hon Michael J Martin MP in the chair); Rt Hon Peter Hain MP; Mr Oliver Heald MP; Sir Stuart Bell MP; Sir Archy Kirkwood MP and Sir Patrick Cormack MP FSA.

The functions of the Committee are:

- to codify and keep under review the provisions of the Resolutions of the House relating to expenditure charged to the Estimate for House of Commons: Members;
- to modify those provisions from time to time as the Committee may think necessary or desirable in the interests of clarity, consistency, accountability and effective administration, and conformity with current circumstances;
- to provide advice, when requested by the Speaker, on the application of those provisions in individual cases.

The Committee is not empowered to create a new form of charge on the Estimate, or to increase any rate of charge or payment determined by Resolution of the House.

### **The work of the Members Estimate Committee**

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The codification of the Resolutions of the House relating to expenditure charged to the Members Estimate has been a considerable focus of attention for the Committee.

An updated set of Resolutions (the “concordance”) which govern the regime of Members’ allowances was prepared during the year and sent to all Members immediately after the Election in May. The Committee also approved a new version of the Green Book which was sent to Members at the same time as the Concordance.

Procedural guidance on allowances for Members who leave the House was previously contained in the Green Book. The Committee agreed in March 2005 an entirely new guide entitled “Pay and Allowances for Members who leave the House at a General Election”, and which now supplements the more limited guidance available in the new Green Book.

Developments on the allowances arose from the triennial review of Parliamentary pay and allowances by the Senior Salaries Review Body. Further details are provided below.

Much of the Committee’s work concerned the arrangements for the publication in October 2004 of details of expenditure on Members’ allowances, including the form and timing of their publication. The figures for 2001–02, 2002–03 and 2003–04 were published at the same time. Publication anticipated the coming into force of the Freedom of Information Act on 1 January 2005. The next publication, covering the figures for the financial year 2004–05, is being published in October 2005.

### **The work of the Advisory Panel on Members’ Allowances**

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The Advisory Panel on Members’ Allowances was set up (as the Speaker’s Advisory Panel) in 2001 to advise the Speaker on the application of the allowances and arrangements for the provision of IT and training. The Panel continues with this role, but now advises the Members Estimate Committee.

The Advisory Panel<sup>2</sup> met seven times during the year and advised on:

- the updating of the rules relating to the main allowances which culminated in a revision of the Green Book;
- guidance for Members on implications of the Data Protection and Freedom of Information Acts;
- Dissolution and post Election arrangements;
- a corporate travel card for Members and their spouses;
- information technology strategy; and
- training for Members’ staff.

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<sup>2</sup> As at 31 March 2005 the membership of the Panel was as follows: Anne Campbell MP (in the chair); Patrick McLoughlin MP (Vice-Chair); Richard Allan MP; Rt Hon Michael Jack MP; Thomas McAvoy MP; Ernie Ross MP and Phil Woolas MP.

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**Developments on the allowances**

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The Senior Salaries Review Body (SSRB) completed their triennial review of Parliamentary pay and allowances in 2004. The Advisory Panel, individual Members of Parliament and the House administration submitted evidence to the Review Body.

The SSRB's recommendations as set out in their report (Cm6354) were laid before the House on 21 October 2004 and debated on 3 November 2004. Resolutions were agreed with the following effects:

- to increase the Staffing Allowance from 1 April 2005 to £80,460 per annum of which up to 10% could be used to fund additional costs of a Member's constituency office;
- that from 1 April London Supplement should not be payable to a Member receiving the Additional Costs Allowance;
- that the car mileage allowance be set from 1 April 2005 at the rates approved by the Inland Revenue;
- that proposals for modification of the Incidental Expenses Provision based on the number of Members' staff on the Parliamentary estate be referred to the Members Estimate Committee for further consideration;
- to implement cost neutral proposals which varied the PCPF early retirement and survivor benefits.

The Members Estimate Committee subsequently agreed detailed rules for the use of the additional Staffing Allowance and decided to take no action in respect of the Incidental Expenses Provision.

A further motion on the car mileage allowance was put on 26 January 2005. The application of the 3 November Resolution was confirmed.

Changes to PCPF Regulations were agreed on 3 November 2004 and implemented by way of Statutory Instrument 2005/887 laid on 23 March 2005.

Two resolutions on the Members' Fund were debated and agreed on 7 March 2005. One established new rates of benefits based on the annual increase in retail prices; the second approved the payment of the Exchequer grant and Members' contributions to the Fund.

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**Parliamentary learning and development initiative**

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The Parliamentary Learning and Development Initiative provides training for Members and their staff. After a tender process in the summer of 2003 the contract was awarded to WWP Ltd, who took over in September 2003 and has continued to run courses throughout 2004–05. The training programme is provided free of charge to all employees of Members who are paid from the staffing allowance. The total cost of providing courses in 2004–05 was some £140,000.

Over 800 Members' employees attended some 130 courses during the year. The training events offered included new courses on serving and employing people with disabilities, dealing with difficult and violent visitors and desktop publishing. Some of the courses allow staff to acquire or develop IT skills and attendance at such courses is limited to six employees per session.

WWP have specifically been charged with providing some training outside London. In order to facilitate attendance, Members' employees who attend such courses can reclaim reasonable travel costs from central funds. Just over 200 Members' staff attended regional courses in 2004–05.

Some training events (notably the induction day) are more popular than others. While events in large urban centres have generally been well attended, those elsewhere have not always attracted the level of interest the Advisory Panel would like to see. Turnover of Members' employees continues at a relatively high level, and marketing and promotion activities will need to continue in order to ensure that as many staff as possible are aware of the training available.

During the year the House continued to sponsor the website [www.working4anMP.org.uk](http://www.working4anMP.org.uk).

**Staff pension provision**

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Since November 2003, Members' employees have automatically joined the Portcullis Pension Plan, although they can opt out if they wish. When the Plan was first set up, a small group of employees, who met certain criteria, were allowed to stay with their existing providers. Currently the take up rate is over 99% of eligible employees.

All such employees benefit from a contribution paid by the House of 10% of their earnings and the employees decide how this is split between the two providers, Norwich Union and AXA Sun Life, and how the funds are invested. Employees can also make voluntary contributions if they wish.

In addition, all the members of the Plan benefit from death in service cover of twice their salary.

**Centrally-funded IT provision**

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Members' IT Services are provided by the Parliamentary Communications Directorate (PCD).

The delivery of centrally provided and purchased equipment, IT training and remote access connection has continued. At the year end over 8,000 items had been delivered in total and over 380 Members had received the Virtual Private Network (VPN) remote access service. During the year PCD also finalised a Service Level Statement for Members which, together with a Members Computing folder containing key reference material, was issued to Members when PCD celebrated Customer Service Week during the autumn of 2004.

Following the Senior Salaries Review Body report in October 2004, which recommended improvements to IT services for Members, PCD has launched projects to:

- make arrangements to replace centrally provided equipment and increase the personal computer entitlement of each Member by one;
- provide constituency network services and computer support to Members and their staff that is comparable to the levels of support provided to users of the service in Westminster;
- offer wireless services to hand-held computers known as Personal Digital Assistants (PDAs) via a commercial phone carrier.

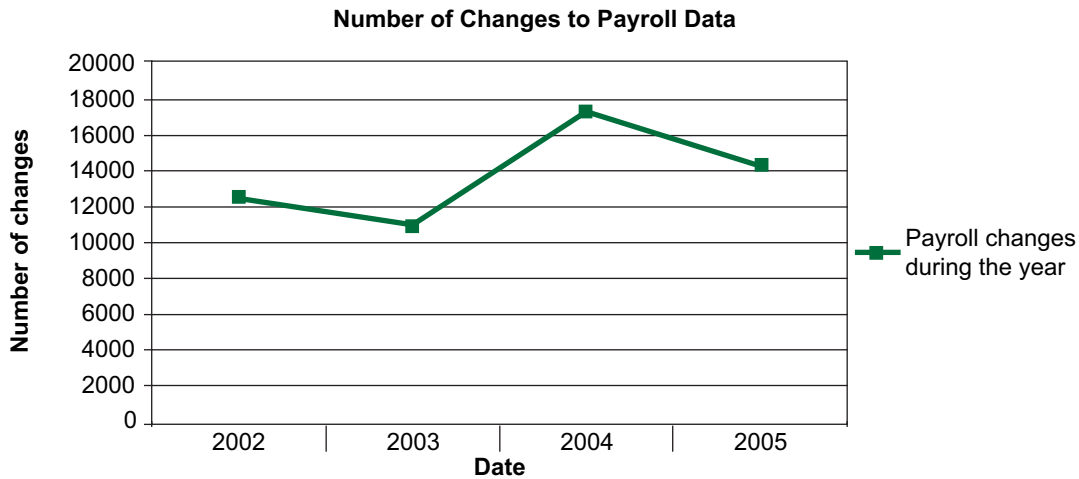
Members also receive the benefit of corporate IT developments, such as new data back up and 'Spam' management services that are funded from the Administration Estimate. These are developed to assist all users of the House's systems – House staff as well as Members and their staff – and are further reported on in the House of Commons Commission Annual Report (HC 65).



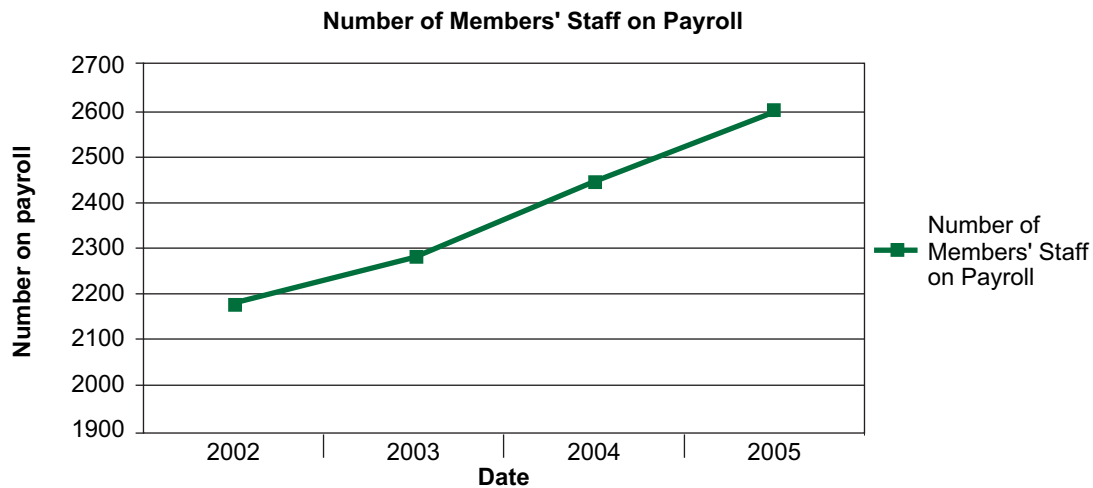
Trends and developments

(i) Members' staff payroll

The steady increase in the number of Members' staff on the payroll since 2001 has continued. At 31 March 2005 the number of permanent staff was 2,584 compared to 2,446 in 2003–4. Changes to payroll data are a key workload indicator and during the year House staff processed over 14,000 changes to data.



Note: the increase in the changes to payroll data for 2003–04 includes those arising from staff pension arrangements which are excluded from the 2004–05 figures.



(ii) Members' claims and travel claims

During the year the Department of Finance and Administration processed a total of around 34,000 claims from Members reflecting an increase over the previous year (33,000 in 2003–04). Increased activity levels are also reflected in other areas such as the number of travel warrants issued (i.e. 26,529 in 2004–05 compared with 24,684 in the previous year).

(iii) Travel card for Members

During 2004–5 a pilot scheme for the introduction of a Visa corporate card for Members' business travel was run and evaluated. The pilot proved a success with all participants wanting to keep the card and not revert to using travel warrants.

Following endorsement of the initiative by the Advisory Panel on Members Allowances and the Members Estimate Committee, the card will be offered to all Members during 2005–6. Newly elected Members have been issued with cards instead of warrants. The use of travel warrants will be phased out completely by 31 March 2006 resulting in a significant cost saving, greater flexibility for Members, and overall gains in efficiency.

**Public interest**

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During the year the House of Commons consisted 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 target 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 wherever possible within 30 days of invoice date whichever is sooner.

**Auditors**

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

**Going concern**

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The balance sheet at 31 March 2005 shows negative Taxpayers Equity of £9.224 million. This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament, to meet the House of Commons Members Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All unspent monies, including those derived from income, are surrendered to the Fund.

The future financing of the House of Commons Members liabilities therefore has to be met by future grants of Supply approved annually by Parliament. Approval for those amounts required in 2005–06 has already been given and there is no reason to believe that future approvals will not be forthcoming. It is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

*Roger Sands*  
**Accounting Officer**

**21 October 2005**

## Statement of Accounting Officer's Responsibilities

Although HM Treasury lays the Estimate for the House of Commons: Members accounts, the accountability arrangements are approved by the Speaker. The Speaker has appointed the Clerk of the House as Accounting Officer for these accounts.

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. Members are responsible for the probity and propriety of claims submitted.

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.

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.

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## Statement on the System of Internal Control

### Scope of responsibility

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

### Purpose of the system of internal control

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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.

A system of internal control has been in place in the House of Commons for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts.

### Control framework and management of risk

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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 related activity within the House of Commons service. 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 is drawn from Resolutions of the House of Commons. The framework is based on the principle that Members are primarily responsible for identifying, claiming and certifying 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 allowances 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 have all contributed to ensure greater transparency and accountability in complying with the Resolutions of the House.

On 29 January 2004 the House agreed to establish the Members Estimate Committee which has now taken responsibility for the governance of the allowance system. The Committee, whose Members are the same as those of the House of Commons Commission, has the authority to agree minor changes to the Resolutions but it may not approve increases in the rates payable or new forms of charge. The Members Estimate Committee subsequently appointed the Members Estimate Audit Committee on the 14 June

2004 to advise me in my role as Accounting Officer. Its membership comprises two Members of Parliament, both of whom are also members of the House of Commons Commission, and two external non-executive members. The external members and Members of Parliament are independent.

Financial Assistance to Opposition Parties is paid in accordance with Resolutions of the House of Commons 20 March 1975 and 26 May 1999. These Resolutions require each recipient party to certify, through an external auditor, that expenditure has been incurred exclusively in relation to the party's parliamentary business.

### **Review of effectiveness**

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

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. The Members Estimate Audit 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.

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 2004-05, following the steps that have been taken on risk awareness and risk management.

*Roger Sands*  
**Accounting Officer**

**21 October 2005**

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

I certify that I have audited the financial statements on pages 16 to 31. 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 21 to 23.

### Respective responsibilities of the Accounting Officer and Auditor

As described on page 11, 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 in general terms, 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 pages 12 and 13 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. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Houses' corporate governance procedures or its risk and control procedures.

As set out in the Statement on Internal Control, 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, claiming and certifying 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 meet that of the relevant allowance, and whether the House of Commons Service (the Department of Finance and Administration) have properly accounted for these claims.

As further set out in the Statement on Internal Control, financial assistance to Opposition parties is paid in accordance with Resolutions of the House of Commons. These Resolutions require each recipient party to certify, through an external auditor, that expenditure has been incurred for parliamentary purposes. My audit of these amounts considers whether payments to recipient parties are properly calculated, whether the House of Commons Service have properly accounted for these amounts and received certificates from external auditors, in accordance with the Resolutions, which confirm that expenditure has been incurred for parliamentary purposes.

**Basis of audit opinion**

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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**

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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 2005 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
**Comptroller and Auditor  
General**

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**24 October 2005**

## Statement of Parliamentary Supply

### Summary of Resource Outturn for the year ended 31 March 2005

Request for Resources	Estimate			Outturn			Net total outturn compared with Estimate saving/(excess) <sup>1</sup>	2003–04 Net Total
	Salaries & Other costs	Grants	Net Total	Salaries & Other costs	Grants	Net Total		
	£000	£000	£000	£000	£000	£000		
1 Members' salaries etc.	138,660		138,660	135,991		135,991	2,669	128,537
2 Grants to other bodies		5,860	5,860		5,510	5,510	350	5,365
Total resources	138,660	5,860	144,520	135,991	5,510	141,501	3,019	133,902
Non-operating cost A in A								

### Summary of net cash requirement 2004–05

	Note	Net Total Outturn compared with Estimate: saving/(excess) <sup>1</sup>			2003–04 Outturn
		Estimate	Outturn	Estimate: saving/(excess) <sup>1</sup>	
		£000	£000	£000	
Net cash requirement	3	143,410	138,768	4,642	133,320

### Summary 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)

	Note	Forecast 2004–05		Outturn 2004–05	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£000	£000	£000	£000
Total income payable to the Consolidated Fund	4	–	–	140	<i>140</i>

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

The notes on pages 21 to 31 form part of this account



**Operating Cost Statement**

for the year ended 31 March 2005

	Note	Salary & Related costs £000	2004–05	2003–04	
			Other Costs £000	Income £000	£000
<b>Programme Costs</b>					
<b>RfR 1 — Members' Salaries etc</b>					
Members' salaries	5	42,349			41,254
Members' pensions	5	9,961			9,811
Other costs	6a		83,681		77,472
<b>Programme Costs</b>					
<b>RfR 2 — Grants to other bodies</b>					
Other costs	6b		5,510		5,365
<b>Totals</b>		<u>52,310</u>	<u>89,191</u>	<u>—</u>	
<b>Net operating cost</b>				<u><b>141,501</b></u>	<u><b>133,902</b></u>

**Statement of Recognised Gains and Losses**

for the year ended 31 March 2005

	Note	2004–05	2003–04
		£000	£000
Net gain/(loss) on revaluation of tangible fixed assets	7	—	—
<b>Recognised gains and losses for the financial year</b>		<u>—</u>	<u>—</u>

The notes on pages 21 to 31 form part of this account

**Balance Sheet**

as at 31 March 2005

	Note	2004–05		2003–04	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	7	223		1,133	
Intangible assets	8	237		433	
			<b>460</b>		<b>1,566</b>
<b>Current assets</b>					
Debtors	9	256		310	
Cash at bank and in hand	10	639		1,882	
		<b>895</b>		<b>2,192</b>	
Creditors (amounts falling due within one year)	11	<b>(10,579)</b>		<b>(10,059)</b>	
<b>Net current liabilities</b>			<b>(9,684)</b>		<b>(7,867)</b>
<b>Total assets less current liabilities</b>			<b>(9,224)</b>		<b>(6,301)</b>
<b>Taxpayers' equity:</b>					
General fund	12		(9,224)		(6,301)
			<b>(9,224)</b>		<b>(6,301)</b>

*Roger Sands*  
Accounting Officer

21 October 2005

The notes on pages 21 to 31 form part of this account

**Cash Flow Statement**

for the year ended 31 March 2005

	Note	2004–05 £000	2003–04 £000
Net cash outflow from operating activities	13a	(138,671)	(133,086)
Capital expenditure and financial investment	13b, 13c	(97)	(234)
Receipts due to the Consolidated Fund which are outside the scope of House activities		140	364
Payments of amounts due to the Consolidated Fund		(163)	(355)
Financing <sup>1</sup>	13d	137,548	133,523
Increase/(decrease) in cash in the period	13e	(1,243)	212

<sup>1</sup>The amount of grant actually issued to support the net cash requirement equalled £137,548,001.

**Statement of Resources by Aim**

for the year ended 31 March 2005

	Note	Gross	2004–05	Net	Gross	2003–04	Net
		£000	Income £000	£000	£000	Income £000	£000
<b>Request for Resources</b>							
1 Members' Salaries etc.	14	135,991	–	135,991	128,537	–	128,537
2 Grants to other bodies	14	5,510	–	5,510	5,365	–	5,365
<b>Net Operating costs</b>		<b>141,501</b>	<b>–</b>	<b>141,501</b>	<b>133,902</b>	<b>–</b>	<b>133,902</b>

The objectives of the House of Commons: Members supply are as follows:

**RfR1:**

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;
- Expenses wholly, necessarily and exclusively incurred in the performance of their duties;
- Appropriate travel costs of Members, their staff and their families;
- The cost of centrally provided services including insurance, computers and other IT equipment, help for Members with disabilities, litigation, security, and training for staff.

**RfR2:**

To put Opposition parties in a position to conduct their parliamentary business effectively.

To provide an annual grant to the Members' Fund to assist former Members and their dependants.

The notes on pages 21 to 31 form part of this account

## Notes to the Resource Accounts

### 1. Statement of Accounting Policies

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

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

#### 1.1 Accounting convention

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

#### 1.2 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. IT equipment that is attributable to specific workstations is grouped and capitalised. Other equipment is capitalised if its value exceeds £1,000 at the time of acquisition.

#### 1.3 Depreciation

Depreciation is charged to expenditure on the re-valued amount of assets. That element of the depreciation which relates to the increase in valuation will be charged to the Revaluation Reserve.

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

For accounting purposes the useful economic lives are deemed to be:

Computer equipment	4 years
Other equipment	3 years

An electric wheel chair purchased for the use of a Member, is not revalued.

#### 1.4 Intangible fixed assets

Intangible fixed assets comprise extended warranty covers and software licences purchased through the Members’ Central IT provision (CIT). These assets are amortised over the life of the warranty or the life of the hardware on which it is installed.

#### 1.5 Investments

There are no short term current investments.

#### 1.6 Stocks and work in progress

No stocks are held and there is no work in progress.

#### 1.7 Research and development

There is no research and development activity.

#### 1.8 Operating income

No operating income is anticipated or collected under the House of Commons: Members supply regime and no appropriation in aid is included in the Supply Estimate. However, if a Member was found to have been overpaid on an allowance then the debt would be recovered either directly by cash payment, by delaying costs to be claimed until a later allowance period, or through reducing the subsequent year’s allowance. Any cash receipts over and above those identified as debts at the year end are surrendered to the Consolidated Fund. Receipts of insurance payments for lost or damaged IT equipment are surrendered to the Consolidated Fund.

## Notes to the Accounts—*continued*

### 1.9 Capital charge

A charge, reflecting the cost of capital utilised, is calculated at the Treasury standard rate of 3.5% on all assets (except cash balances with the Paymaster General) less liabilities. There is negative capital charge to the accounts in 2004–05 since liabilities in respect of unclaimed allowances exceed assets.

### 1.10 Foreign exchange

Those transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction. There were no foreign exchange transactions during 2004–05.

### 1.11 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. As at 1 April 2002 this was based on an accrual rate of  $\frac{1}{50}$ th for every year of service subject to a maximum of  $33\frac{1}{3}$  years. The Parliamentary Pension (Amendment) Act 2002 gave Members the option, on an individual basis, to increase the accrual rate from 15 July 2002 to  $\frac{1}{40}$ th of final pensionable pay for each year of service if they increased their personal contribution from 6% to 9% of pay.

The Government Actuary determines the amount the Exchequer pays after each triennial valuation of the fund. The rate of contribution in 2004–05 was 24% 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 introduction of a  $\frac{1}{40}$ ths scheme resulted in a number of longer serving Members reaching their maximum period of service and therefore ceasing to contribute.

The supplementary pension contributions associated with the Ministerial element of a Member of Parliament's salary are funded by the House of Commons: Members Estimate and are included in the pensions figure in Note 5. The Ministerial salary supplement itself is funded by the relevant Department direct.

The Managing Trustees are current Members of the House of Commons plus one pensioner (retired) former Member. In April 2001, the Managing Trustees transferred the custody of the scheme's investments from the Public Trustee to the Bank of New York. On 1 April 2003, the administration of the scheme was transferred from Capita Hartshead to Superannuation of the University of London. The cost of administering the scheme is included as an administration cost within the House of Commons: Administration accounts.

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.

### 1.12 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.

### 1.13 Staff pension provision

Since November 2003, Members' employees have automatically joined the Portcullis Pension Plan, although they can opt out if they wish. When the Plan was first set up, a small group of employees, who met certain criteria, were allowed to stay with their existing providers.

All employees within the Plan benefit from a contribution paid by the House of 10% of their earnings. They can decide how this is split between the two providers, Norwich Union and AXA Sun Life, and how the funds are invested. Employees can also make voluntary contributions if they wish. In addition, all the members of the Plan benefit from death in service cover of twice their salary.

## Notes to the Accounts—*continued*

### 1.14 Grants to other bodies

Financial assistance is provided to Opposition parties and the Members' Fund.

### 1.15 Leases

No operating or finance leases are held.

### 1.16 Private Finance Initiative (PFI) transactions

There were no PFI transactions.

### 1.17 VAT

This account is outside the scope of VAT. 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 Programme expenditure

The Operating Cost Statement shows details of programme costs, which include Members' salaries, allowances 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.

The allowance expenditure disclosed in these resource accounts relates to Members' claims arising from the accounting period covered by the accounts. It includes claims received after the year-end to pay for activity arising within the accounting period. The Green Book requires that claims against each year's allowance budget may be submitted for up to two months after the allowance year; however, in exceptional circumstances claims received more than two months after the accounting year-end may be paid.

Members who have specific spending plans are able to apply to carry forward up to 10% of their Incidental Expenses Provision and Staffing Allowance. In certain circumstances they can also ask for an advance. Apart from exceptional circumstances, approved by the Speaker, any request must be submitted within two months of the end of the financial year (i.e. by 31 May). Movements between years will be managed within the overall resources and net cash requirement for those years.

The year-end accrual balance is determined by recording the payments made during the two months after year-end, which relate to the accounting period covered by the resource accounts, this balance is supplemented by an estimate for subsequent exceptional claims that may be authorized for payment after the two months cut-off period has expired.

Prepayments are disclosed for the Members Fund, Incidental Expenses Provision, Childcare and purchases of season tickets, which cover a large number of Members, where the services will be delivered in the next accounting period.

### 1.19 Going concern

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

### 1.20 Costs of administering the Members' salaries and allowances

The cost of administering the Members' allowances and salaries is included as an administration cost within the House of Commons: Administration accounts.

### 1.21 Third party assets

There are no third party assets held.

## Notes to the Accounts—continued

## 2. Reconciliation of Estimates, accounts and budgets

## Reconciliation of accounts to capital budget

	Note	2004–05		2003–04	
		Final Provision	Outturn	Outturn compared with Final Provision	Outturn
		£000	£000	£000	£000
Additions to assets	7, 8		83		244
(Disposals) at net book value	7, 8		(2)		–
Capital Budget		<b>350</b>	<b>81</b>	<b>(269)</b>	<b>244</b>

## 3. Reconciliation of resources to cash requirement

	Note	Estimate	Outturn	Net total outturn compared with estimate: saving/ (excess)
		£000	£000	£000
Resource Outturn		144,520	141,501	3,019
<b>Capital</b>				
Acquisition of fixed assets	7, 8	350	83	267
<b>Non operating A in A</b>				
Proceeds of fixed asset disposals	7	–	–	–
<b>Accruals adjustments</b>				
Non-cash items	6	(1,460)	(999)	(461)
Changes in working capital other than cash		–	(1,817)	1,817
Changes in creditors falling due after more than one year	11	–	–	–
<b>Net Cash Requirement</b>		<b>143,410</b>	<b>138,768</b>	<b>4,642</b>

## 4. 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)

	Note	Forecast 2004–05		Outturn 2004–05	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Other amounts collectable on behalf of the Consolidated Fund		–	–	140	<i>140</i>
Excess cash surrenderable to the Consolidated Fund		–	–	–	–
<b>Total income payable to the Consolidated Fund</b>		<b>–</b>	<b>–</b>	<b>140</b>	<b><i>140</i></b>



## Notes to the Accounts—continued

## 5. Members numbers and costs

Staff costs comprise:	2004–05	2003–04
	£000	£000
Members' salaries	38,063	37,105
London Supplement	194	183
Social security costs	4,092	3,966
Other pension costs	9,961	9,811
<b>Total net costs</b>	<b>52,310</b>	<b>51,065</b>

There are 659 seats in the House of Commons. During 2004–05 655 Members took up their seats with 4 Members abstaining from taking the oath. The annual salary of each Member was £57,485. Members representing Inner London constituencies, Office Holders and Ministers received London Supplement up to 31 March 2005. All salary costs relate to Request for Resources 1. Included in the Members' salary costs are the additional salaries for the Chairman of Ways and Means (£37,796), two Deputy Chairmen of Ways and Means (£33,218 each) and the twenty five Chairmen of the Select Committees (£12,750 each).

## 5.2 Retirement Benefits

The Government Actuary's Department (GAD) provided an estimate of the financial position of the Parliamentary Contributory Pension Fund as at 31 March 2005. This was based on the approach taken for its full actuarial valuation of the Parliamentary Contributory Pension Fund as at 31 March 2002. The assumptions for valuing the liabilities (set out below) were chosen by GAD 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 value of assets is assessed by discounting the future stream of income expected to be produced by the assets on assumptions that are consistent with those used for valuing the liabilities. On this basis, the assets and liabilities of the Parliamentary Contributory Pension Fund as at 31 March 2005 were as follows:

	UK value at 31 March 2005	UK value at 31 March 2004
	£000	£000
Equities	223,000	219,000
Bonds	43,000	28,000
Others	14,000	14,000
Total value of assets	280,000	261,000
Present value of Fund liabilities	(330,000)	(309,000)
Deficit in the Parliamentary Contributory Pension Fund at 31 March	(50,000)	(48,000)

## 5.3 The House of Commons Members Fund (HCMF)

The 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 House Resource Accounting Manual but functions primarily as a benevolent fund and operates to provide for ex-Members and their dependants who find themselves in difficult circumstances. These accounts only show the contribution paid into HCMF each year on behalf of all Members. Separate accounts for the HCMF are published. The most recent valuation of the HCMF was as at 30 September 2003. As at 30 September 2003, the Government Actuary assessed the value of the assets at £3.307million. The total liability of the fund was £2.030 million, giving a surplus of £1.277 million.

## Notes to the Accounts—continued

## 6. Net programme costs

	Note	2004–05 £000	2003–04 £000
<b>6a. Other Costs – Members’ Staff Salaries, Staff Pensions and other expenses</b>			
<b>Cash Items</b>			
Staffing Allowance		46,150	42,794
Incidental Expenses Provision		10,947	10,510
Additional Cost Allowance		10,874	9,713
Travel		8,346	7,853
Contributions to Members’ staff pensions		4,148	3,440
Central service provision		1,353	968
Insurance		282	408
Temporary secretarial assistance		454	319
Write off bad debt		28	41
Winding Up Allowance		79	29
Secretarial redundancy		21	1
<b>Subtotal</b>		<b>82,682</b>	<b>76,076</b>
<b>Non-cash items</b>			
Depreciation and amortisation of fixed assets:			
Tangible fixed assets	7	962	746
Intangible fixed assets	8	225	282
Loss on revaluation of tangible fixed assets	7	–	455
Loss on disposal of fixed assets	7	2	40
Audit fee	12	82	82
Capital charge	12	(272)	(209)
<b>Subtotal</b>		<b>999</b>	<b>1,396</b>
<b>Grand Total</b>		<b>83,681</b>	<b>77,472</b>
	Note	2004–05 £000	2003–04 £000
<b>6b. Other costs – Grants to Other Bodies</b>			
Financial assistance to Opposition parties		5,295	5,150
Members Fund		215	215
<b>Total</b>		<b>5,510</b>	<b>5,365</b>

## Notes to the Accounts—continued

## 7. Tangible fixed assets

	<b>IT Equipment</b>	<b>Other Equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>			
<b>At 1 April 2004</b>	3,801	3	3,804
Additions	54	–	54
Disposals	(8)	(3)	(11)
(Loss) on revaluation	–	–	–
Gain on revaluation	–	–	–
<b>At 31 March 2005</b>	<b>3,847</b>	<b>–</b>	<b>3,847</b>
<b>Depreciation</b>			
<b>At 1 April 2004</b>	2,668	3	2,671
Charge in year	962	–	962
Disposals	(6)	(3)	(9)
Revaluation	–	–	–
<b>At 31 March 2005</b>	<b>3,624</b>	<b>–</b>	<b>3,624</b>
<b>Net book value at 31 March 2005</b>	<b>223</b>	<b>–</b>	<b>223</b>
<b>Net book value at 31 March 2004</b>	<b>1,133</b>	<b>–</b>	<b>1,133</b>

## 8. Intangible fixed assets

The House's intangible fixed assets comprise extended warranty covers and software licences.

	<b>2004–05</b>	<b>2003–04</b>
	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>		
<b>At 1 April 2004</b>	1,059	1,017
Additions	29	42
Disposals	(198)	–
<b>At 31 March 2005</b>	<b>890</b>	<b>1,059</b>
<b>Amortisation</b>		
<b>At 1 April 2004</b>	626	344
Charged in year	225	282
Disposals	(198)	–
<b>At 31 March 2005</b>	<b>653</b>	<b>626</b>
<b>Net book value at 31 March 2005</b>	<b>237</b>	<b>433</b>
<b>Net book value at 31 March 2004</b>	<b>433</b>	<b>673</b>

## Notes to the Accounts—continued

## 9. Debtors

	As at 31 March 2005 £000	As at 31 March 2004 £000
<b>Amounts falling due within one year:</b>		
Members	91	215
Bad debt provision	–	(7)
Deposits and advances	11	9
Other debtors	54	75
Prepayments and accrued income	100	18
	<b>256</b>	<b>310</b>

There are no outstanding trade debtors due to the Consolidated Fund.

## 10. Cash at bank and in hand

	As at 31 March 2005 £000	As at 31 March 2004 £000
Balance at 1 April	1,882	1,670
Net change in cash balances	(1,243)	212
<b>Balance at 31 March</b>	<b>639</b>	<b>1,882</b>
The following balances at 31 March were held at:		
Office of HM Paymaster General	639	1,882
Commercial banks and cash in hand	–	–
<b>Balance at 31 March</b>	<b>639</b>	<b>1,882</b>
Amounts issued from the Consolidated Fund but not spent at year end	629	1,849
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	10	33
	<b>639</b>	<b>1,882</b>

## 11. Creditors

	As at 31 March 2005 £000	As at 31 March 2004 £000
<b>Amounts falling due within one year</b>		
Other taxation and social security	2,432	1,432
Members	297	103
Other creditors – current	2,037	1,150
Other creditors – capital	–	14
Accruals and deferred income	5,174	5,478
	<b>9,940</b>	<b>8,177</b>
Amounts issued from the Consolidated Fund for supply but not spent at year end	629	1,849
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
received	10	33
receivable	–	–
	<b>10,579</b>	<b>10,059</b>

## Notes to the Accounts—continued

## 12. General Fund

	As at 31 March 2005 £000	As at 31 March 2004 £000
Balance at 1 April	(6,301)	(5,593)
Net Parliamentary Funding		
Drawn down	137,548	133,523
Deemed	1,849	1,647
Year end adjustment		
Supply creditor – current year	(629)	(1,849)
Net Transfer from Operating Activities		
Net Operating Cost	(141,501)	(133,902)
Non Cash Charges		
Cost of capital	(272)	(209)
Auditors' remuneration	82	82
Balance at 31 March	<b>(9,224)</b>	<b>(6,301)</b>

## 13. Notes to the Cash Flow Statement

## 13(a) Reconciliation of operating cost to operating cash flows

	Note	2004–05 £000	2003–04 £000
Net operating cost		(141,501)	(133,902)
Adjustments for non-cash transactions	6	999	1,396
(Increase)/Decrease in Debtors	9	54	857
Increase/(Decrease) in Creditors	11	1,763	(1,428)
<i>less increase in capital creditors</i>		14	(9)
Net cash outflow from operating activities		<b>(138,671)</b>	<b>(133,086)</b>

## 13(b) Analysis of capital expenditure and financial investment

	Note	2004–05 £000	2003–04 £000
Tangible fixed asset additions	7	(68)	(192)
Intangible fixed asset additions	8	(29)	(42)
Proceeds on disposal of fixed assets	7	–	–
Net cash outflow from investing activities		<b>(97)</b>	<b>(234)</b>

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

	Capital expenditure £000	Loans etc £000	A in A £000	Net total £000
Request for resources 1	83	–	–	83
Request for resources 2	–	–	–	–
Net movement in debtors/creditors	14	–	–	14
<b>Total 2004–05</b>	<b>97</b>	<b>–</b>	<b>–</b>	<b>97</b>
<b>Total 2003–04</b>	<b>234</b>	<b>–</b>	<b>–</b>	<b>234</b>

**Notes to the Accounts—continued****13(d) Analysis of financing**

	2004–05	2003–04
Note	£000	£000
From the Consolidated Fund (Supply) – current year	12 137,548	133,523
From the Consolidated Fund (Supply) – prior year	12 –	–
<b>Net financing</b>	<b>137,548</b>	<b>133,523</b>

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

	2004–05	2003–04
Note	£000	£000
Net cash requirement	3 (138,768)	(133,320)
From the Consolidated Fund (Supply) – current year	12 137,548	133,523
From the Consolidated Fund (Supply) – prior year	12 –	–
Amounts due to the Consolidated Fund received in prior year and paid over	(33)	(24)
Amounts due to the Consolidated Fund received and not paid	10	33
<b>(Decrease)/increase in cash</b>	<b>(1,243)</b>	<b>212</b>

**14. Notes to the Statement of Resources by Aim**

Capital is employed exclusively for programme purpose.

**Programme expenditure has been allocated as follows:**

	2004–05	2003–04
	£000	£000
Request for Resources 1: Members' salaries, etc	135,991	128,537
Request for Resources 2: Grants to other bodies	5,510	5,365
	<b>141,501</b>	<b>133,902</b>

**Capital Employed by Aim at 31 March 2005**

	2004–05	2003–04
	£000	£000
Request for Resources 1: Members' salaries, etc	(8,865)	(6,049)
Request for Resources 2: Grants to other bodies	(359)	(252)
	<b>(9,224)</b>	<b>(6,301)</b>

**15. Capital commitments**

There were no capital commitments as at 31 March 2005.

**16. Contingent liabilities disclosed under FRS 12**

There are currently no contingent liabilities falling within the requirement of FRS 12 that need to be disclosed.

**Notes to the Accounts**—*continued***17. Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes**

There are currently no contingent liabilities not required to be disclosed under FRS 12, but need to be included for parliamentary reporting and accountability purposes.

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**18. Losses and special payments**

There were no losses or special payments made in 2004–05.

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**19. Related-party transactions**

The House of Commons: Administration Estimate is regarded as a related party. The House of Commons Commission provide resources 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 House of Commons. 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 information of any pecuniary interest or other material benefit which a Member receives which might reasonably be thought by others to influence his or her actions, speeches, or votes in Parliament, or actions taken in his or her capacity as a Member of Parliament. The Register is published soon after the beginning of a new Parliament under the authority of the Select 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. Employment agreements deposited with the Registrar are available for personal inspection only.

The House of Commons: Members Estimate provides financial assistance to Opposition parties to carry out their parliamentary business. The total payable to each party is linked to a formula based on the number of seats won and the votes cast at the previous General Election.

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**20. Post balance sheet events**

There are no post balance sheet events to report.





*The HOUSE of*  
**COMMONS:**  
**Members**

**Audit Committee**  
**Annual Report**  
**2004-05**

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## Members Estimate Audit Committee Annual Report for 2004-05

### Introduction

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This is the first annual report of the House of Commons Members Estimate Audit Committee, which was established by the House of Commons Members Estimate Committee on 14 June 2004, following changes to the governance structure for the Members Estimate agreed by the House in January 2004.

### Membership

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The Committee's membership during the year was:

Oliver Heald MP (Chairman);  
Sir Archy Kirkwood MP;  
Sir Thomas Legg KCB QC (external member); and  
Mr David Taylor FCA (external member).

The Clerk of the House, the Director of Finance and Administration, the Director of the Internal Review Service and the Director of Operations, Department of Finance and Administration attend meetings, although they may withdraw for specific items at the Committee's, or their own, request. The Committee's secretary is Mark Egan, Private Secretary to the Clerk of the House.

### Terms of Reference

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The Committee's terms of reference are annexed to this report.

### Meetings

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The Committee met three times in the financial year 2004–05.

### Information about the Committee

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The Committee has a page on the Parliament website on which are published its membership, terms of reference and annual reports. Formal minutes of meetings from January 2005 are also now published on-line.

### Administration Estimate Audit Committee

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The Committee has the same membership as the Administration Estimate Audit Committee (AEAC) and usually meets immediately after meetings of the AEAC. Areas of overlap between the Audit Committees, for example in relation to the regular report on the work of the Internal Review Service (IRS), are usually discussed in AEAC meetings but minuted separately.

At its first meeting, the Committee agreed to adopt the same arrangements and procedures as the AEAC, as far as is practicable. Consequently:

- representatives from the National Audit Office and PricewaterhouseCoopers, who work with the House's Internal Review Service, usually attend meetings of the Committee;
- internal audit reports are considered first by the external members of the Committee, who may refer matters for discussion by the full Committee; and
- notwithstanding the difference in the roles of the Commission and the Members Estimate Committee in respect of the two House Estimates, the same procedure is used for advising the Accounting Officer on the Members Accounts as is used in relation to the Administration Accounts.

**Internal audit reports**

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Five reports, all relating to the modular audit of the House's new core financial system, were considered by the external members of the Committee in 2004–05.

**House of Commons: Members Accounts**

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The external members of the Committee met with NAO and the Department of Finance and Administration staff on 14 October to discuss the draft House of Commons: Members Accounts for 2003–04, following which the accounts were discussed by the full Committee prior to being signed off by the Clerk of the House, as Accounting Officer. Amongst the issues raised by the Committee were the impact of new guidance on the treatment of pension provision and the format of the foreword to the accounts.

The Committee agreed that the House should seek to bring forward the date by which the 2004-05 accounts are signed off to September 2005, in pursuance of the Treasury's ultimate aim to have all public sector resource accounts completed by July. It also concurred with the decision that the House should keep in step with Treasury guidance by following the new standard format for resource accounts.

**Other areas of work**

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The Committee received a briefing in October on Members' expenses and allowances.

In January, the Committee considered a paper from the external members on some of the issues now arising on Members' expenses and allowances. Key elements of the discussion were reported to the Members Estimate Committee. It agreed that the Audit Committee should be involved in the revision of the Green Book, which sets out the rules relating to expenses and allowances, and reiterated the existing delegation of authority to staff of the Department of Finance and Administration to interpret those rules.

The Committee also discussed correspondence between Sir Thomas Legg, the Director of Finance and Administration and Peter Lilley MP, the Chairman of the Trustees of the Members Fund, concerning the arrangements for dealing with requests for assistance from the Fund. The matter had arisen from an IRS recommendation to adopt guidelines governing disbursements from the Fund. At a meeting on 23 March the Trustees outlined new procedures for handling claims which the external members were satisfied met the thrust of the IRS recommendation.

**Annex**

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The Committee's current terms of reference are shown below:

On behalf of the Members Estimate Committee, to:

- have general oversight of the work of internal audit and review relating to the Members Estimate, with particular emphasis on promoting economic, efficient and effective administration, and on risk assessment and control assurance;
- receive and consider reports from the Internal Review Service (IRS), together with external audit material relating to the Members Estimate;
- monitor and review the external auditor's independence, objectivity and effectiveness, and to make recommendations to the Members Estimate Committee about the external auditor's appointment;
- advise the Accounting Officer in the exercise of his responsibilities;
- consider and recommend to the Accounting Officer the internal review programme for the Members Estimate;

- encourage best financial practice, use of resources and governance in relation to the Members Estimate;
- report annually, the report to be published with the Members Estimate annual accounts.