

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

(For the year ended 31 March 2003)

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Resource Accounts 2002–03

Foreword to the Accounts

For the year ended 31 March 2003

Scope of the Accounts

The Supply Estimate for House of Commons: Members primarily supports Members of Parliament in discharging their parliamentary duties and responsibilities.

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; relevant expenses incurred including travel, office, staff and equipment; insurance; training; central services; and other associated items. It also provides financial assistance to Opposition parties to support them in the discharge of their parliamentary functions; and it funds an Exchequer contribution to the Members' Fund.

Objectives

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;
 - 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 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.

Activities

All monies paid to Members of Parliament through the House of Commons: Members Estimate are governed by resolutions of the House. These resolutions are debated and agreed on the floor of the House of Commons, and Members are accountable for their decisions and actions in approving and claiming their pay and allowances. The House of Commons: Members 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, are paid a London supplement.
- *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 various 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 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 Estimate 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 purposes.

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 had the choice to remain with the OCA until 31 March 2003.

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 and Administration.

Management

The management structure for the House of Commons: Members accounts is set out in a statement of Roles and Authorities dated November 2002.

2001 saw the introduction of revised governance arrangements, with the creation of the Speaker's Advisory Panel to advise the Speaker (and in some circumstances the Leader of the House) on both the application and development of the arrangements for allowances. The Panel's membership in 2002–03 was:

Anne Campbell MP (Chair)
Richard Allan MP
Ben Bradshaw MP
Keith Hill MP
Rt Hon Michael Jack MP
Patrick McLoughlin MP
Ernie Ross MP
Andrew Walker, Director of Finance and Administration
Matthew Taylor, Director of Parliamentary Communications
Archie Cameron, Director of Operations, Department of Finance and Administration

The Panel met eight times during 2002–03 and advised on the development of the new stakeholder pension arrangements for Members' staff, on the drafting of the new Green Book which sets out the rules for Members' allowances, on various aspects of the provision of information systems and technology for Members, and on a new contract for training for Members' staff.

On behalf of Mr Speaker, the Panel commissioned a review of the adequacy of the allowances, which reported in January 2003. Not surprisingly, the review identified a very wide spectrum of needs and expectations among Members, and noted some dissatisfaction, but concluded that the new system of allowances was generally adequate.

On 9 May 2002 the House passed a resolution extending the arrangements for reimbursement of Members' European travel.

The rollout of IT equipment recommended in the Senior Salaries Review Body's 48th report issued in March 2001 was begun immediately after the 2001 General Election, and was largely completed in 2002–03. During the year, 201 items of IT equipment were delivered and installed in locations throughout the United Kingdom, and a technical support infrastructure was established. This was carried out by the Parliamentary Communications Directorate.

In 2002–03, the Department of Finance and Administration paid approximately 74,000 claims by Members, and made approximately 4,000 payroll changes for Members and 11,000 for their staff. The number of Members' staff on the payroll rose from 1,879 to 2,254 during the year.

A decision was made that summary details of Members' pay and allowances should be released under the principles set out in the Freedom of Information Act 2000. The first publication will be in the autumn of 2004, and will cover the first three years of the current Parliament (2001–02, 2002–03 and 2003–04). In addition, it has been decided to make the Green Book (the Department of Finance and Administration's guide to parliamentary salaries, allowances and pensions), available publicly under the House's publication scheme from the autumn of 2003.

For the future, the Department of Finance and Administration is preparing to pilot a corporate travel card scheme for Members in 2004. If successful, this may eventually replace the existing travel warrant arrangements for much of Members' travel within the UK.

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 resource accounts of the House of Commons.

Roger Sands
Accounting Officer

8 December 2003

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

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.

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 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, clearer arrangements for staffing provision and — in the current year — changes in the guidelines for Additional Costs Allowance, all help to ensure greater transparency and accountability in complying with the resolutions of the House.

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 for parliamentary purposes.

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 2002–03, following the steps that have been taken on risk awareness and risk management. I expect to see further improvement in 2003–04.

Roger Sands
Accounting Officer

8 December 2003

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

I certify that I have audited the financial statements on pages 11 to 29. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out in pages 17 to 19.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 7, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the House of Commons Resource Accounting Manual and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the 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 8 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 8), 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

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 2003 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

11 December 2003

SCHEDULE 1

Summary of Resource Outturn
for the year ended 31 March 2003

	Estimate			Outturn			Net total outturn compared with Estimate saving/ (excess)	2001–02 Prior Year Outturn
	Gross Expenditure	A in A	NET TOTAL	Gross Expenditure	A in A	NET TOTAL ¹		
	1	2	3	4	5	6		
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources 1: Members' Salaries, etc	130,807	—	130,807	123,285	—	123,285	7,522	114,896
Request for Resources 2: Grants to other bodies	5,355	—	5,355	5,238	—	5,238	117	5,263
Total Resources	136,162	—	136,162	128,523	—	128,523	7,639	120,159
Non-operating cost Appropriations in Aid			—	—		—	—	—
Net Cash Requirement			134,122			130,022	4,100	116,567
Reconciliation of resources to cash requirement								
	<u>Note</u>	<u>£000</u>				<u>£000</u>	<u>£000</u>	<u>£000</u>
Net total resources		136,162				128,523	7,639	120,159
Capital								
Acquisition of fixed assets	8 & 9	1,845				1,229	616	4,459
Accruals adjustments:								
Non-cash items	3	(3,962)				(1,176)	(2,786)	(1,123)
Changes in working capital other than cash	10	77				1,467	(1,390)	(6,928)
Other adjustments:								
Book value of fixed asset disposals	8	—				(21)	21	—
Net cash requirement (Schedule 4)		134,122				130,022	4,100	116,567

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

The variance is due to a lower level of expenditure on staff costs and the lower than expected take-up of stakeholder pension schemes by Members' staff, together with a reduced depreciation charge for IT equipment because the take up of central IT has been lower than expected.

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

The variance is due to a lower level of expenditure on staff costs and the lower than expected take-up of stakeholder pension schemes by Members' staff.

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	2002–03 Forecast		2002–03 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		—	—	—	—
Other amounts collectable on behalf of the Consolidated Fund		—	—	112	<i>112</i>
Excess cash receipts surrenderable to the Consolidated Fund		—	—	—	—
Total²		—	—	112	<i>112</i>

Actual outturn — resources

Request for resources 1: Actual amount net resources outturn ¹£123,284,505.43. Actual amount of savings in resources over estimate £7,522,494.57.

Request for resources 2: Actual amount net resources outturn ¹£5,237,827.86. Actual amount of savings in resources over estimate £117,172.14.

Actual outturn — cash

Net cash requirement: Outturn net requirement £130,022,285.56 which is £4,099,714.44 less than the Estimate.

Actual receipts surrenderable to the Consolidated Fund equalled ²£112,451.07

SCHEDULE 2

Operating Cost Statement

for the year ended 31 March 2003

	Note	2002–03		2001–02	
		£000	£000	£000	£000
Programme Costs					
Request for Resources 1 — Members Salaries etc					
Members' salaries	2	39,801		37,329	
Members' pensions	2	3,267		2,856	
Other costs	3a	80,217		74,711	
			123,285		114,896
Less: income			—		—
			123,285		114,896
Request for Resources 2 — Grants to other bodies					
Other costs	3b	5,238		5,263	
			5,238		5,263
Less: income			—		—
			5,238		5,263
Net operating cost	4		128,523		120,159
Net resource outturn	4		128,523		120,159

All income and expenditure are derived from continuing operations.

There were no recognised gains or losses during the year.

SCHEDULE 3

Balance Sheet

as at 31 March 2003

	Note	2002–03		2001–02	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	8	2,172		2,947	
Intangible assets	9	673		152	
			2,845		3,099
Current Assets					
Debtors	11	1,167		628	
Cash at bank and in hand	12	1,670		2,167	
		2,837		2,795	
Creditors (amounts falling due within one year)	13	(11,275)		(12,565)	
Net current assets			(8,438)		(9,770)
Total assets less current liabilities			(5,593)		(6,671)
Taxpayers' equity					
General Fund	14		(5,593)		(6,671)
			(5,593)		(6,671)

Roger Sands
Accounting Officer

8 December 2003

The notes on pages 17 to 29 form part of these accounts

SCHEDULE 4

Cash Flow Statement

for the year ended 31 March 2003

	Note	2002–03 £000	2001–02 £000
Net cash outflow from operating activities	Note a	(128,475)	(112,295)
Capital expenditure and financial investment	Note b	(1,412)	(4,272)
Financing	Note c	129,367	117,957
Receipts due to the Consolidated Fund which are outside the scope of the House of Commons: Members		112	—
Payments of amounts due to the Consolidated Fund		(89)	—
(Decrease)/increase in cash during the period		(497)	1,390

Note a — Reconciliation of operating cost to operating cash flows

	Note	£000	£000
Net operating cost		128,523	120,159
Adjustments for non cash transactions	3	(1,197)	(1,123)
Adjustments for movements in working capital other than cash	10	1,149	(6,741)
Net cash outflow from operating activities		128,475	112,295

Note b — Analysis of capital expenditure and financial investment

	Note	£000	£000
Intangible fixed asset additions	9	793	224
Tangible fixed asset additions	8	619	4,048
Net cash outflow from investing activities		1,412	4,272

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

	Note	£000	£000	£000
From the Consolidated Fund (Supply): current year ¹			129,367	117,957
From the Consolidated Fund (Supply): prior year ²			—	—
Net financing			129,367	117,957
Decrease/(Increase) in cash	12		497	(1,390)
Net cash flows other than financing			129,864	116,567
Adjustments for payments and receipts not related to supply				
Amounts due to the Consolidated Fund — received in a prior year and paid over			—	—
Amounts due to the Consolidated Fund — received not paid over				
Other amounts		23		
Excess A in A		—		
Transitional adjustment for outstanding balances relating to the Members' Appropriation Accounts 2000–01			23	—
			135	—
Net cash requirement for the year (Schedule 1)			130,022	116,567

¹ Amount of grant actually issued to support the net cash requirement equalled £129,366,500.00

² Amount of grant actually issued to support the prior year net cash requirement equalled £nil

SCHEDULE 5

Resources by Aims

For the year ended 31 March 2003

		2002–03			2001–02		
	<u>Note</u>	<u>Gross</u> <u>£000</u>	<u>Income</u> <u>£000</u>	<u>Net</u> <u>£000</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	123,285	—	123,285	114,896	—	114,896
Request for Resources 2: Grants to other bodies	b & c	5,238	—	5,238	5,263	—	5,263
Net Operating Costs		128,523	—	128,523	120,159	—	120,159

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;
 - 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 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.

See Note 16.

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 (Schedule 2) 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. IT equipment that is attributable to specific workstations is grouped and capitalised. Other equipment is subject to a minimum level for capitalisation of £1,000.

Other equipment, an electric wheel chair purchased for the use of a Member, is not revalued.

1.4 Depreciation

Depreciation is charged to expenditure on the re-valued amount of assets. An element of the depreciation may arise on the increase in valuation which 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 valuation of tangible fixed assets by equal instalments over their estimated useful lives.

For accounting purposes the lives are:

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 the life of the warranty or the life of the hardware on which it is installed.

1.6 Research and development

There was no research and development activity during the financial year 2002–03.

1.7 Investments

There are no short term current investments.

1.8 Stocks and work in progress

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

Notes to the Accounts—continued**1.9 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 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.

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 2002–03 as liabilities, in respect of unclaimed allowances exceed assets.

1.11 Foreign exchange

If there are any transactions which are denominated in a foreign currency then they are translated into sterling at the exchange rate ruling on the date of each transaction into sterling, there were no foreign exchange transactions during 2002–03.

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. As at 1 April 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 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 rate of contribution in 2002–03 was 7.9% 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. 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.

The supplementary pension contributions associated with the Ministerial element of an MP's salary are funded by the House of Commons: Members resource supply and are included in the pensions figure in Note 2. The Ministerial salary supplement is funded by the relevant Departments' resources.

The cost of administering the scheme is included as an administration cost within the House of Commons: Administration accounts. The administration of the scheme was transferred to Superannuation of the University of London with effect from 1 April 2003.

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.

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

If there are any operating leases all costs are charged to the Operating Cost Statement (Schedule 2) as incurred. There were no operating or finance leases in operation during 2002–03.

1.16 Private Finance Initiative (PFI) transactions

There were no PFI transactions.

1.17 VAT

This account 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 Allowance expenditure

All expenditure relating to Members' allowance claims arising from the accounting period covered by the resource accounts is disclosed in the accounts (including creditor payments for late claims and allowance debts). All claims must be made within six months of the year-end. In exceptional circumstances an extension may be permitted.

Accruals are calculated using prior year patterns of spend, with an assumption that there is a full take-up of the Incidental Expenses Provision (IEP).

Prepayments are disclosed only for purchases of insurance and season tickets, which cover a large number of Members, where they involve services which 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 be so in future years, the Members will continue to receive annual funds voted by Parliament which will cover Members' salaries and allowances.

2.1 Member numbers and costs

	Total 2002–03	Total 2001–02
	£000	£000
Members' salaries	36,200	33,937
London Supplement	175	175
Social security costs	3,426	3,217
Pensions	3,267	2,856
Total	43,068	40,185

There are 659 seats in the House of Commons. During 2002–03 657 Members took up their seats with 2 Members abstaining from taking the oath. The annual salary of each Member is £55,118. Members representing Inner London constituencies, Office Holders and Ministers receive London Supplement. All salary costs relate to Request for Resources 1.

Included in the Members' salary costs are the salaries of the Speaker (£124,979) and the Chairman of Ways and Means (£91,538).

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 2003. 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 2003 are as follows:

	UK value at 31 March 2003 <u>£000</u>	UK value at 31 March 2002 <u>£000</u>
Equities	216,000	200,300
Bonds	19,000	35,000
Others	17,000	11,000
Total fair value of assets	<u>252,000</u>	<u>246,300</u>
Present value of Fund liabilities	<u>(294,000)</u>	<u>(271,500)</u>
Deficit in the Parliamentary Contributory Pension Fund at 31 March	<u>(42,000)</u>	<u>(25,200)</u>

The comparative figures for 2001–02 vary from those published on the *House of Commons: Members Resource Accounts 2001–02 (HC420)* because only an interim valuation was available at the time of publication. The 2001–02 Resource Accounts show the fair value of assets as £245,800,000 (*revised £246,300,000*), the present value of fund liabilities as £273,000,000 (*revised £271,500,000*) with a resulting deficit of £27,200,000 (*revised £25,200,000*).

2.3 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 Resource Accounting Manual or FRS 17, but it functions primarily 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. 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. Net Programme Costs

	Total 2002–03		Total 2001–02	
	£000	£000	£000	£000
3a Other Costs — Members’ Salaries, Staff Pensions and Other Expenses				
Office Costs Allowance/Staffing Allowance/IEP	54,907		47,178	
Additional Costs Allowance	11,968		10,600	
Travel	8,535		7,497	
Resettlement Grant	—		3,527	
Contributions to Members’ staff pensions	2,727		2,151	
Winding Up Allowance	2		1,470	
Insurance	229		249	
Secretarial redundancy	—		317	
Temporary secretarial assistance	367		429	
Miscellaneous- specific services	261		149	
Write off	16		3	
Bad debt provision	8		18	
		79,020		73,588
Non Cash Items (Notes a and b)				
Audit fee	82		52	
Capital charge	(368)		(289)	
Depreciation and amortisation of fixed assets	1,262		1,054	
Loss on revaluation	200		306	
Loss on disposal	21		—	
		1,197		1,123
		80,217		74,711

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

	£000
Other costs — non cash items	1,197
Other non-cash items charged to operating expenses	—
Less: non cash income	—
profit on disposal of fixed assets	—
	1,197

Note b — the total non-cash items included in the reconciliation of resources to net cash requirement in Schedule 1 comprises:

	£000
Total non-cash transaction as above	1,197
Adjustment for profit and losses on disposal of fixed assets	—
Loss on disposal of fixed assets	(21)
Profit on disposal of fixed assets	—
	1,176

	2002–03		2001–02	
	£000	£000	£000	£000
3b Other costs — Grants to Other Bodies				
Financial Assistance to Opposition Parties	5,023		5,048	
Members’ Fund	215		215	
		5,238		5,263

Recipients 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 net resource outturn

	2002–03 Outturn £000	2001–02 Outturn £000
Net operating cost (see note)	128,523	120,159
Plus operating income not classified as A in A but within public expenditure	—	—
Net resource outturn (see note)	128,523	120,159

Note

Net operating cost is the total of expenditure and income appearing in the Operating Cost Statement (Schedule 2). Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the 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

	2002–03		2001–02	
	Estimate £000	Outturn £000	Estimate £000	Outturn £000
Spending Body:				
Members	130,807	123,285	120,208	114,896
House of Commons Members' Fund	215	215	215	215
Financial Assistance to Opposition Parties	5,140	5,023	5,132	5,048
	136,162	128,523	125,555	120,159

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

	2002–03				2001–02	
	Gross Resource Expenditure £000	A in A £000	Net Total £000	Estimate £000	Net Total Outturn compared with estimate £000	Net Total £000
Request for Resources 1: Members' salaries, etc	123,285	—	123,285	130,807	(7,522)	114,896
Request for Resources 2: Grants to other bodies	5,238	—	5,238	5,355	(117)	5,263
Resource outturn	128,523	—	128,523	136,162	(7,639)	120,159
<i>Reconciliation to Operating Cost Statement</i>						
Non-supply expenditure	—	—	—	—	—	—
Non A in A operating income	—	—	—	—	—	—
Gross operating expenditure	128,523					
Operating income		—				
Net operating cost			128,523			120,159

Notes to the Accounts—*continued*

7. Analysis of capital expenditure, financial investments and associated Appropriations in Aid (A in A)

	Capital expenditure	Loans etc	A in A	Net Total
	£000	£000	£000	£000
Request for Resources 1: Members' salaries, etc	1,229	—	—	1,229
Request for Resources 2: Grants to other bodies	—	—	—	—
Total 2002–03	1,229	—	—	1,229
Total 2001–02	4,459	—	—	4,459

8. Tangible Fixed Assets

	IT Equipment	Other Equipment	Total
	£000	£000	£000
Cost			
At 1 April 2002	3,926	3	3,929
Additions	436	—	436
Disposals	(28)	—	(28)
(Loss) on revaluation ¹	(200)	—	(200)
Gain on revaluation	—	—	—
At 31 March 2003	4,134	3	4,137
Depreciation			
At 1 April 2002	981	1	982
Charge in the year	1,034	1	1,035
Disposals	(7)	—	(7)
Revaluation	(45)	—	(45)
At 31 March 2003	1,963	2	1,965
Net Book Value at 31 March 2003	2,171	1	2,172
Net Book Value at 31 March 2002	2,945	2	2,947

¹ The revaluation loss has been taken to the Operating Cost Statement — see note 3.

Treatment of tangible fixed asset additions

	Note	£000	£000
Total additions			436
Movement in creditors:			
Creditors as at 31 March 2002	13	187	
Creditors as at 31 March 2003	13	(4)	183
Cash fixed asset additions			619

Calculation of loss on disposals

	£000
Gross book value	28
Accumulated depreciation	(7)
Loss on disposal in 2002–03	21

Notes to the Accounts—*continued***9. Intangible Fixed Assets**

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

Cost or valuation	IT Extended Warranties
	£000
At 1 April 2002	224
Additions	793
Disposals	—
Revaluation	—
At 31 March 2003	1,017
Amortisation	
At 1 April 2002	72
Charged in year	272
Disposals	—
Revaluation	—
At 31 March 2003	344
Net book value at 31 March 2003	673
Net book value at 31 March 2002	152

10. Movements in working capital other than cash

	2002–03	2001–02
	£000	£000
Increase in debtors	539	233
Decrease / (increase) in creditors	793	(6,974)
Movements in working capital other than cash excluding amounts due to the Consolidated Fund	1,332	(6,741)
Movements in working capital other than cash excluding amounts due to the Consolidated Fund	1,332	(6,741)
Transitional adjustment for outstanding balances relating to the Members' Appropriation Accounts 2000–01	135	—
Changes in working capital other than cash per Schedule 1	1,467	(6,741)
Movements in working capital other than cash excluding amounts due to the Consolidated Fund	1,332	(6,741)
(Decrease) in capital creditors	(183)	(187)
Adjustments for movements in working capital other than cash per Schedule 4	1,149	(6,928)

Notes to the Accounts—*continued*

11. Debtors

	2002–03		2001–02	
	£000	£000	£000	£000
Amounts falling due within one year				
Members	188		333	
Bad debt provision	(13)		(18)	
		175		315
Deposits and advances		7		2
Other debtors		25		191
Prepayments and accrued income		960		120
		1,167		628

Included in the other debtors there are no amounts which will be due to the Consolidated Fund once the debts are collected.

12. Cash at bank and in hand

	2002–03	2001–02
	£000	£000
Balance at 1 April	2,167	777
Net cash (outflow)/inflow	(497)	1,390
Balance at 31 March	1,670	2,167

The Office of HM Paymaster General (OPG) provides a current account banking service. The following balances are held at 31 March:

Balances at OPG	1,670	2,167
Commercial banks and cash in hand	—	—
Balance at 31 March	1,670	2,167

The balance at 31 March comprises:

Cash due to be paid to the Consolidated Fund		
Amounts issued from the Consolidated Fund but not spent at year end	1,647	2,167
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	23	—
	1,670	2,167

Notes to the Accounts—*continued*

13. Creditors: amounts falling due within one year

	2002–03	2001–02
	£000	£000
Other tax and social security	1,217	2,119
Members	—	388
Other creditors — current	154	275
Other creditors — capital	4	187
Accruals and deferred income	8,230	7,429
	9,605	10,398
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,647	2,167
Consolidated Fund extra receipts received and receivable due to be paid to the Consolidated Fund	23	—
	11,275	12,565

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

	2002–03		2001–02	
	£000	£000	£000	£000
Net operating cost for the year (Schedule 2)		(128,523)		(120,159)
Net parliamentary funding		129,367		117,957
Previous year grant transferred		2,302		912
Consolidated Fund creditor for cash unspent		(1,647)		(2,167)
Non-cash charges				
Capital charge	(368)		(289)	
Audit fee	82	(286)	52	(237)
Transitional adjustment for outstanding balances relating to the Members' Appropriation Accounts 2000–01		(135)		—
Net increase/(decrease) in general fund		1,078		(3,694)
General fund at 1 April		(6,671)		(2,977)
General fund at 31 March		(5,593)		(6,671)

15. Revaluation Reserve

The reduction in value on the IT equipment has been charged to the Operating Cost Statement. There is no revaluation reserve.

Notes to the Accounts—*continued***16. Notes to Schedule 5**

Capital is employed exclusively for programme purposes.

Programme expenditure has been allocated as follows:

	<u>2002–03</u>	<u>2001–02</u>
	<u>£000</u>	<u>£000</u>
Request for Resources 1: Members' salaries, etc	123,285	114,896
Request for Resources 2: Grants to other bodies	5,238	5,263
	<u>128,523</u>	<u>120,159</u>

Capital employed by aims and objectives

	<u>2002–03</u>	<u>2001–02</u>
	<u>£000</u>	<u>£000</u>
Request for Resources 1: Members' Salaries, etc	(5,365)	(6,379)
Request for Resources 2: Grants to other bodies	(228)	(292)
	<u>(5,593)</u>	<u>(6,671)</u>

17. Capital commitments

There were no capital commitments as at 31 March 2003.

18. Commitments under leases

There are no commitments under leases.

19. Commitments under PFI contracts

There were no PFI contracts in 2002–03.

20. Other financial commitments

There were no other financial commitments.

21. Contingent liabilities

There are currently no contingent liabilities under the requirements of FRS12 or that need to be disclosed for parliamentary reporting and accountability purposes.

Notes to the Accounts—continued**22. Related-party transactions**

The House of Commons: Administration Estimate is regarded as a related party. The House of Commons Commission provide accounts 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 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 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. 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.

The House of Commons: Members 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.

23. Financial Instruments**Fair Values**

Set out below is a comparison, by category, of book values and fair values of the House's financial assets and liabilities as at 31 March 2003.

	<u>Book Value</u>	<u>Fair Value</u>	<u>Basis of fair valuation</u>
	£000	£000	
Primary financial instruments			
Financial assets:			
Cash at bank and in hand	1,670	1,670	<i>(see note)</i>
Financial liabilities			
Provisions	—	—	

Note

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

Risks

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 Estimate is financed by resources voted annually by Parliament. As such it is not exposed to significant liquidity risks.

Interest rate risk

Financial assets and liabilities carry nil or a fixed rate of interest. The Estimate is not therefore exposed to significant interest rate risk.

Foreign currency risk

Foreign currency will not usually form part of the assets or liabilities. The Estimate is not therefore exposed to any significant foreign currency risk.

Notes to the Accounts—*continued***24. Third party assets**

There are no third party assets held as at 31 March 2003.

25. Entities within the boundary

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

26. Losses and Special Payments

There were no losses or special payments made in 2002–03

27. Post balance sheet events

The following non-adjusting post balance sheet events occurred:

Following the valuation of the Parliamentary Contributory Pension Fund (PCPF) by the Government Actuary Department, the rate of the Exchequer contribution to the PCPF increased to 24% from 1 April 2003.

With effect from the beginning of the 2003–04 Session of Parliament the Chairmen of Select Committees related to government departments will receive an additional £12,500 salary per annum.