

***The HOUSE of
COMMONS:
Administration***

Resource Accounts

2008-09

(for the year ended 31 March 2009)

Presented to the House of Commons in pursuance of
Section 3 (as amended) of the The House of Commons (Administration) Act 1978

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Foreword to the Accounts

For the year ended 31 March 2009

Scope of the accounts

The Accounts of the House of Commons Administration cover:

- General administration including staff costs, general expenses, stationery, printing, broadcasting, IT, catering, accommodation services and associated non-cash costs;
- Some travel costs of Members of Parliament in connection with select committees and delegations to international parliamentary assemblies; and
- Grants-in-aid paid to various Parliamentary bodies, the History of Parliament Trust and the Association of Former Members of Parliament.

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

Purpose

The House of Commons Service supports, informs and records the work of the House of Commons as an elected parliamentary chamber in accordance with the decisions of the House and the House of Commons Commission. It makes its work and information about that work accessible to the general public, and contributes to parliamentary democracy by sharing its knowledge with parliaments and assemblies worldwide. It also maintains the heritage of parliamentary buildings and documents in trust for the public and future generations.

The House of Commons and the House of Lords have joint stewardship of the Palace of Westminster. The parliamentary estate, including the Palace, is maintained by the Parliamentary Estates Directorate within the House of Commons Administration. The House of Lords is recharged for its share of costs relating to the parliamentary estate. In addition, the two Houses also incur administration costs on each other's behalf and these are also recharged. Security running costs are monitored jointly but billed separately to the two Houses by the Metropolitan Police Service.

Values

The House of Commons Service seeks to serve the House of Commons, its committees and Members, and the public with honesty, probity and political impartiality; strives to achieve high ethical standards, value for money and professional excellence in all that it does; and seeks to be responsive to changing requirements. As an employer, the House of Commons Commission is committed to maximising the personal development of House staff, to valuing diversity and the contribution of all individuals, and to equality of opportunity. The core values for House staff are integrity, professionalism, teamwork, recognition and commitment.

Core tasks

The Strategic Plan 2006-11, adopted by the House of Commons Commission in 2005, sets out the Core Tasks and Supporting Tasks of the House Administration. The House Service's Core Tasks (in order of priority) are:

1. *Supporting the Chamber and Committees*
To provide the advice and services that enable the House and its committees to conduct their business effectively.
2. *Supporting Members and their Staff*
To provide the advice and services that enable individual Members (and their staff) to perform their parliamentary duties effectively.
3. *Information for the public*
To promote public knowledge and understanding of the work and role of Parliament through the provision of information and access.
4. *Maintaining the Parliamentary Estate*
To maintain the heritage and integrity of the Palace of Westminster and other buildings, objects and documents for the benefit of future generations.

In support of the Core Tasks the House Service also seeks:

Human Resources

To provide a skilled and motivated workforce; giving recognition and reward for achievement and ensuring that all staff realise their full potential regardless of level or background; and promoting diversity.

Accommodation, Security and Catering

To provide a healthy, safe and secure physical environment in which the business of the House can be effectively conducted; this includes accommodation, office services, catering and security.

Planning and Management

To plan and manage all of the House's resources to a high standard, achieving value for money and matching current public service standards in the areas of risk and change management and environmental protection.

Information Management

To ensure that information is well-managed in pursuit of the primary objectives, by exploiting technology effectively.

Working with Others

To maintain a good working relationship with the House of Lords, particularly in the provision of shared services; share information and best practice with other parliaments and assemblies, and co-operate with other organisations that can assist the House Service in its work.

The above are supplemented by the following goals that convey the Management Board's priorities in delivering them:

- To make Members feel they are receiving an excellent service from all parts of the House Service.
- To deliver continuous and measurable improvement in the services provided.

- To ensure there is the capability to deliver the services required now and in the future.
- To make all staff feel that they are valued and work for a first-class organisation.
- To increase and demonstrate the value for money and the environmental sustainability of the services delivered.

These Core Tasks were reiterated in the Corporate Business Plan published in March 2009.

Management

The House of Commons Commission is the statutory body with responsibility for the administration of the House of Commons. It is responsible for the appointment, pay and conditions of House staff, and also has responsibility for preparing the Estimate for the House administration.

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

The Rt Hon Michael J Martin MP	Speaker (<i>Chairman by virtue of his office</i>)
The Rt Hon Harriet Harman QC MP	Leader of the House of Commons (<i>by virtue of her office</i>)
The Rt Hon Theresa May MP	nominated by the Leader of the Opposition
Sir Stuart Bell MP	also Chairman of the Finance and Services Committee
Nick Harvey MP	
The Rt Hon David Maclean MP	

The following changes to the Commission arose during the year:

- 26 Jan 2009: Alan Duncan MP replaced Rt Hon Theresa May MP

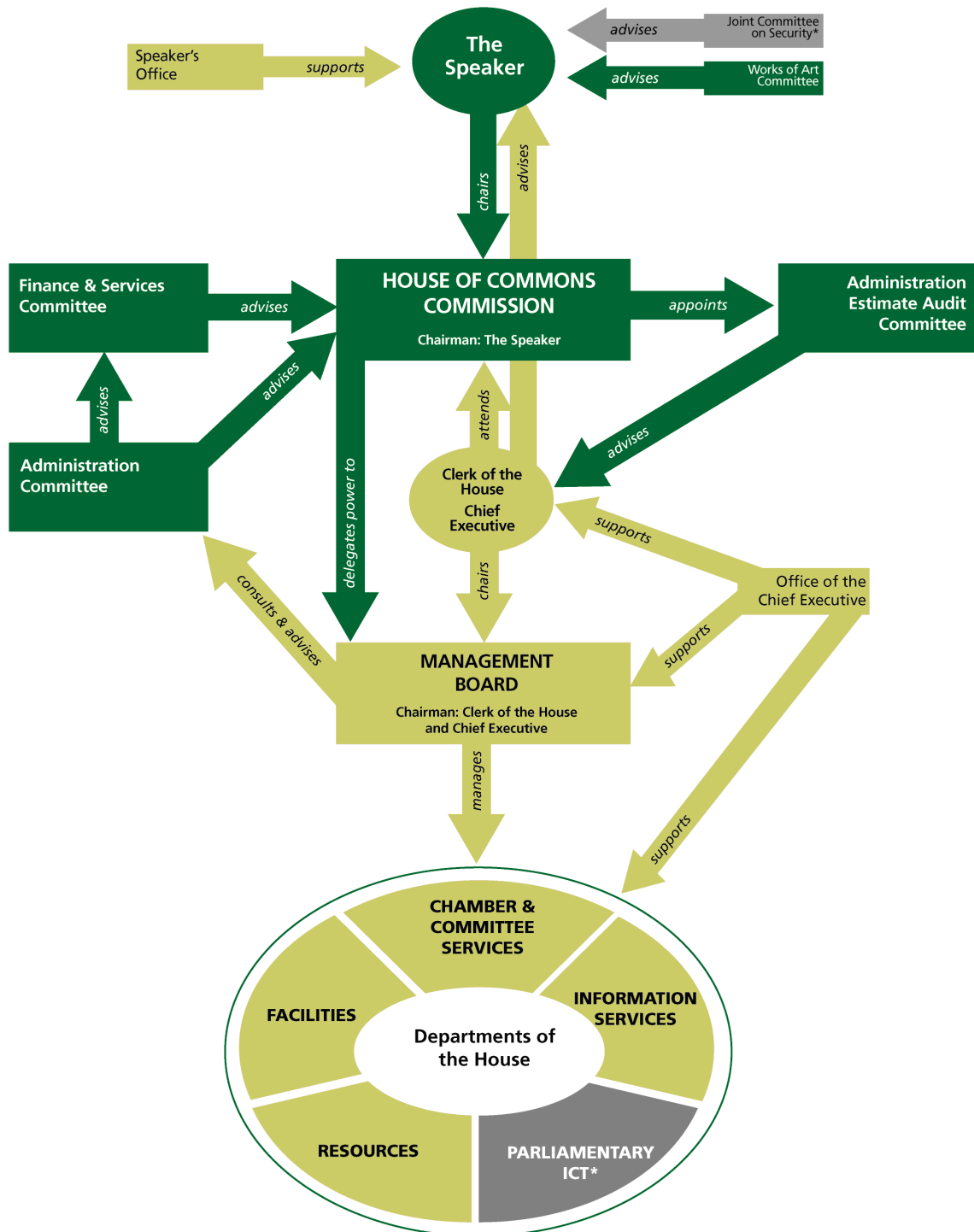
The most senior official of the House of Commons is the Clerk of the House, who is Chief Executive, Corporate Officer and Accounting Officer. He is assisted in his role as Chief Executive by the Management Board. The Queen appoints the Clerk of the House by letters patent. At the start of the financial year, members of the Management Board were as follows:

Malcolm Jack	Chairman, Clerk of the House and Chief Executive
John Borley CB	Director General, Facilities
Douglas Millar CB	Director General, Chamber and Committee Services
John Pullinger	Director General, Information Services
Andrew Walker	Director General, Resources
Joan Miller	Director of PICT (external member)

Alex Jablonowski joined as an external member in September 2008

The governance structure is illustrated on page 6.

The Governance Structure of the House of Commons Administration



*Joint services with the House of Lords

Under the House of Commons (Administration) Act 1978 the Commission may delegate functions to heads of department individually or jointly. The Commission has used these powers to establish the Management Board. The detailed instruments of delegation are revised from time to time. Appointments may be terminated according to the rules and procedures laid down in the conditions of service for House of Commons staff. The Parliament (Joint Departments) Act 2007 provides for joint departments to be established with the House of Lords. There is currently only a single joint department, the Parliamentary Information and Communication Technology (PICT) Service, which was set up on 1 January 2006 before being formally vested as a joint department from 1 April 2008.

Management commentary

Resources

The House of Commons achieved a resource outturn of £234.6 million against an Estimate of £244.0 million. This represents an underspend against plan of £9.4 million (3.85%) during the year.

An underspend on staff salaries was broadly offset by greater than planned expenditure on agency staff, although an element of underspend on both notional pension contributions and employer's national insurance contributions arose as a consequence. In addition, the rate of notional pension contribution was reduced from 30.6% in 2007-08 to 26.2% for 2008-09 on the advice of the actuaries, which accounted for £1.4 million of the total underspend.

The actuaries, using assessments issued by HM Treasury, advised an increase in the discount rate applied to the pension scheme liabilities from 5.32% at 31 March 2008 to 6.04% at 31 March 2009. This gave rise to a reduction of £2.0 million in the interest charge on the pension scheme liabilities for the year.

Further underspends arose against demand led services including committee related travel and subsistence budgets (£0.8 million), the printing contract (£1.2 million), postage and stationery budget (£0.8 million). The postage and stationery budgets for future years have been reduced to reflect the introduction of the Communications Allowance, now that the impact of its introduction has become established. The balance of the underspend represents project funding held in reserve that did not materialise during the year.

Expenditure on accommodation services was significantly less than the previous year. The 2007-08 outturn was not representative as it included a number of resource based Works projects, including refurbishment of the Press Gallery, unlike 2008-09 where most of the major Works projects involved capital expenditure.

The House of Commons Commission publishes an Annual Report reviewing the performance of the House Administration. The 31st Annual Report, about to be published, contains information from the Management Board as well as the annual report from the Accounting Officer. The Annual Report of the Administration Estimate Audit Committee is published with the Commission's Report.

2008-09 was the first full year of the new House service structure following adoption of recommendations arising from the 2007 Tebbit Review. This involved the creation of new budgets for departments. During the year, there was also a significant down turn in the economy which led to a number of adjustments in the latter part of the year.

Income

The House of Commons operates on a net control basis. This is within the authority set out in the House of Commons (Administration) Act 1978. In 2008-09 income of £9.4million was generated and offset against the expenditure incurred. This represents an increase of £0.5million (6%) on 2007-08 and is primarily the result of a rise in receipts from sales.

Capital

A capital outturn of £4.6 million against an Estimate of £12 million gave an underspend of £7.4million. This arose from delays in the Estates investment programme where a number of projects have been deferred into 2009-10.

Cash

A net cash requirement of £164.1 million against an Estimate limit of £191.7million gave rise to an underspend of £27.6 million (14.4%). This was made up of three elements – a resource equivalent underspend of £5.7 million after adjusting for notional pension charges, the capital underspend of £7.4 million, with other accounting adjustments comprising the balance. The surplus cash requirement was not drawn down from the Consolidated Fund.

Net Assets

Total assets employed by the House of Commons, less current liabilities, increased by £43.8 million in 2008-09, largely reflecting revaluation movements on the Estate.

Payment of Suppliers

The House of Commons has adopted prompt payment of small and medium sized enterprises, paying invoices wherever possible within 10 days. Payment to public sector organisations do not fall under this initiative.

Resources Required for 2009-10

The Management Board has identified three areas of service delivery as priorities in 2009-10. These are the Estate, IT services and delivery of Members' allowances. A step change in the quality of service delivered may require changes to some existing work plans and in the allocation of staff and financial resources. Maintenance of the Estate is now recognised as a core task and a major programme to modernise parts of the infrastructure of the Palace is part of the investment.

The net resource requirement for 2009-10 in the Administration Estimate is £258 million. As agreed by the Commission in the Strategic Plan, the aim is to manage core services at a level of expenditure no higher than the ceiling agreed for 2006-07, after adjustment for inflation. Improvements in service will be driven by setting challenging objectives in all areas, and by greater use of external benchmarking. To assist the Management Board in its strategic leadership of the House of Commons Service a corporate performance management system is being developed. This is based on a balanced scorecard approach and underpinned by an integrated performance and risk reporting system.

The House will prepare shadow 2008-09 Accounts using International Financial Reporting Standards (IFRS), as adapted for the public sector and House accounting policies, during the summer of 2009. These will be submitted to the NAO for a dry run audit prior to full implementation in 2009-10. Budgets will be re-stated, if necessary, in the Winter Supplementary Estimates 2009.

A Parliamentary Standards Bill was introduced in the House of Commons on 23 June 2009. The Bill makes provision to establish a body corporate known as the Independent Parliamentary Standards Authority and an officer known as the Commissioner for Parliamentary Investigations; and provisions relating to salaries and allowances for Members of the House of Commons and to their financial interests and conduct; and for connected purposes. Although the Bill will primarily impact on the House of Commons: Members Estimate, there could be financial consequences for the Administration Estimate.

Remuneration report

(i) Remuneration policy

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

(ii) Salary entitlements

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

	2008-09		2007-08 (restated)	
	Salary (£000)	Benefits in kind (£000)	Salary (£000)	Benefits in kind (£000)
Malcolm Jack	190-195	25	170-175 ¹	20
John Borley CB	115-120	-	5-10 (full year equivalent 105-110)	-
Douglas Millar CB	155-160	-	55-60 (full year equivalent 125-130)	-
John Pullinger	115-120	-	110-115 (c)	-
Andrew Walker	125-130	-	115-120 ¹	-
Joan Miller	105-110 (d)	-	90-95	-
Alex Jablonowski	5-10 (e)	-	-	-

Notes:

(a) "Salary" includes gross salary and any performance bonuses awarded.

¹The figures have been restated to reflect payments made in 2008-09 which relate to salary accrued in 2007-08.

(b) The estimated monetary value of benefits in kind covers any benefits provided by the House of Commons and treated by HMRC as taxable. These figures represent the benefit from the official residences that the officers are required to use in the course of their duties.

(c) John Pullinger was on secondment from a government department until 1 December 2007 when he became a member of the House of Commons staff.

(d) The salary and pension benefits for the Director of Parliamentary Information Communications and Technology are paid directly by the House of Commons and recharged to the House of Lords at a rate of 20%. The salary and pension benefits disclosed represent the total remuneration package paid between the two Houses.

(e) Alex Jablonowski is an external Board member and is paid a daily rate.

(iii) Pension benefits

All permanent staff of the House of Commons are entitled to join the House of Commons Staff Pension Scheme (HOCSPS). It operates by analogy with the Principal Civil Service Pension Scheme as a defined benefits scheme and is funded on a pay-as-you-go basis. The balance sheet includes a provision against which future pension benefits will be charged when paid. The accruing cost of benefits is charged to the Operating Cost Statement in the annual resource accounts. Further details can be found in Note 6.

The pension entitlements of the members of the Management Board, covering the period during which they were on the Board, were as follows (for 2007-08 figures, see House of Commons Resource Accounts, HC 974):

	Accrued pension and related lump sum at 31/3/09	Real increase in pension and related lump sum at 31/3/09	CETV at 31/3/09	CETV at 31/3/08 (restated)	Real increase in CETV
	(£000)	(£000)	(£000)	(£000)	(£000)
Malcolm Jack	125 - 130 (lump sum n/a)	15.0 - 17.5 (lump sum n/a)	2,435	2,073	295
John Borley CB	0 - 5 (lump sum n/a)	0.0 - 2.5 (lump sum n/a)	26	2	20
Douglas Millar CB	95 - 100 (lump sum n/a)	10.0 - 12.5 (lump sum n/a)	1,817	1,576	210
John Pullinger	40 - 45 plus lump sum 125 - 130	40.0 - 42.5 plus lump sum 125 - 127.5	733	6	199
Andrew Walker	45 - 50 plus lump sum 140 - 145	2.5 - 5.0 plus lump sum 7.5 - 10.0	978	841	60
Joan Miller	5 - 10 (lump sum n/a)	0.0 - 2.5 (lump sum n/a)	118	73	34
Alex Jablonowski (e)	n/a	n/a	n/a	n/a	n/a

Notes:

(a) A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by an employee at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred to these arrangements and for which the Estimate has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension benefits in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

(b) The real increase in CETV reflects the amount effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors.

(c) The CETV figures at 31 March 2008 have been restated to reflect changes in the factors used for calculations.

(d) No employer contributions were made to partnership pensions in 2008-09.

(e) Not a member of the House of Commons Staff Pension Scheme.

Public interest

The House of Commons consists of 646 Members elected by their constituents. The Commons is constitutionally separate from the Government. The House Administration seeks to maintain good practice in all employment and business matters. In particular it is committed to the principles of diversity and equality of opportunity, and to the prompt payment of invoices. Further details are contained in the annual report of the House of Commons Commission.

Auditors

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

As far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware. The Accounting Officer has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Malcolm Jack
Accounting Officer

16 July 2009

Statement of Accounting Officer's Responsibilities

The House of Commons (Administration) Act 1978 gives the House of Commons Commission the power to appoint the Accounting Officer. The Accounting Officer is responsible for accounting for the use of resources for the service of the House of Commons.

The House of Commons Commission has directed that the accounts be prepared on a resource basis.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the House of Commons Administration, the net resource outturn, recognised gains and losses and cash flows for the financial year.

The Accounting Officer is responsible for the House of Commons Financial Reporting Manual. He should ensure that the accounts:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- include judgements and estimates made on a reasonable basis;
- state whether applicable accounting standards, as set out in the House of Commons Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts;
- have been prepared on a going concern basis.

The responsibilities of the 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 *Managing Public Money* published by HM Treasury.

Statement on the System of Internal Control

Scope of responsibility

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

I have delegated certain authority to the Heads of Department.

Purpose of the system of internal control

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives set out in the House of Commons strategic Corporate Business Plan and the business plans of the Departments of the House, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently, and economically.

Control framework and management of risk

A Resource Framework and other supporting guidance sets out the procedures and controls that operate, including where financial responsibilities rest. As such it is an integral part of the corporate governance arrangements for which the Accounting Officer is responsible. The Framework itself is currently in the process of being updated to reflect recent structural changes and other operational developments.

This year, there has been a continued effort on enhancing risk management activities within the House. Risk Management continues to be driven by the Management Board supported by a Corporate Risk Management team. Our aim has been to match public service standards in risk management. New Risk Management policy, principles and guidance documents were agreed by the Management Board in March 2008 and are available to staff on the House of Commons Intranet. A full corporate risk review was undertaken by the Management Board in December 2008 to ensure the House of Commons corporate risks remained relevant in light of changes in corporate strategy. As a result of this review two new risks were identified.

Work has also continued on improving departmental risk registers to reflect the new unified structure and to ensure that management action identified is robust. A Departmental Risk Forum was created in December 2008 to bring together departmental risk co-coordinators on a monthly basis to discuss the management of their risks, to share information and to ensure departmental cross-cutting risks are identified. Further work to support the full embedding of risk management across all parts of the House Service is planned.

A Parliamentary Business Risk and Resilience Group has been established to co-ordinate contingency planning and disaster recovery procedures for both Houses to ensure Parliament can continue to operate effectively if subjected to adverse events. These were tested during the year to ensure they remained effective. The Security Co-ordinator for both Houses chairs the Security Review Implementation Board (SRIB) which oversees the implementation of agreed recommendations arising from the review of security arrangements.

The Senior Information Risk Owner (SIRO) has steered the development of data security policy, appointing a Data Security Programme Co-ordinator to take forward the recommendations of the 2007-08 data security review, advised by a cross-Parliament Data Security Assurance Group, chaired by the Parliamentary Security Co-ordinator. Data security priorities have been identified and agreed by the Management Board and the key areas are being tackled. Departmental Information Risk Owners have been appointed to champion data security across all business areas. Awareness training for all staff is being developed; a series of publicity articles, guidance and a staff notice have been issued about the risks of removing data from the parliamentary estate. An e-learning package is being piloted and will be used with existing and new staff. The Information Rights and Information Security (IRIS) team was established during the year to assist staff of the House to make the right decisions about processing, protecting and disclosing information and data.

The Administration Estimate Audit Committee (AEAC) advises me in my role as Accounting Officer. It comprises three Members of Parliament - two of whom are also members of the Commission, while the third is a member of the Finance and Services Committee. There are also three external non-executive members. The external members and the Members of Parliament are independent. The Committee takes a close interest in the work of Internal Audit, with particular emphasis on promoting economy, efficiency and effectiveness, risk assessment and internal control. The Director General of Resources and I regularly attend the meetings of the Audit Committee.

Review of effectiveness

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

The Internal Audit (IA) function, which operates broadly to Government Internal Audit Standards, reports directly to me. The Director of Internal Audit also attends meetings of the AEAC. The work of IA is informed by the analysis of risk to which the House of Commons is exposed. Annual internal audit plans, including Value for Money work, are based on this analysis and consideration of other areas of audit need, to ensure that there is adequate coverage of governance, risk management and control arrangements across the operational areas in the House of Commons.

The analysis of risk and the internal audit plans are approved by me in the light of advice from the AEAC. At least annually, the Director of Internal Audit provides me with an independent report and opinion on governance, risk management and internal control within the House of Commons. The report includes his opinion on the adequacy and effectiveness of the House of Commons system of internal control.

Heads of Departments also provide me with an annual letter of assurance on the management of procedures and controls, as well as risk, in their departments. The following significant issues arose during the year:

- There was a serious incident of unauthorised disclosure of Members' claims and receipts prior to official publication. This incident is currently being investigated and procedures will be reviewed in light of the findings of this investigation;
- Improvements to the existing control system were recommended following internal reviews of Works authorisation procedures, maintenance and specialist term contracts, and the management of interior design and furnishings. New management arrangements, procedures and controls have been initiated to meet the recommendations made.

The IA work programme over the year has provided a moderate level of assurance highlighting further action on certain issues which either has been, or are being addressed. In the light of the work carried out by IA and with the development of the risk management process, I am satisfied as to the general adequacy of the internal control systems within the ambit of the House of Commons Administration Estimate, but it is important that improvements resulting from organisational changes continue to be made.

Malcolm Jack
Accounting Officer

16 July 2009

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

I certify that I have audited the financial statements of the House of Commons: Administration for the year ended 31 March 2009. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for preparing the Foreword and the financial statements in accordance with the House of Commons Financial Reporting Manual and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the House of Commons Financial Reporting Manual. I report to you whether, in my opinion, information given in the Foreword is consistent with the financial statements. I also report 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.

In addition, I report to you if the House has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the House of Commons' application of best practice guidance on corporate governance including, amongst other sources, the Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the House's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Foreword and the unaudited part of the Remuneration Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the House's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error 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 also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the House of Commons' Financial Reporting Manual of the state of the House's affairs as at 31 March 2009 and the net cash requirement, net resource outturn, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the House of Commons Financial Reporting Manual; and
- information given within the Foreword and the unaudited part of the Remuneration Report is consistent with the financial statements.

Audit Opinion on Regularity

In my opinion, 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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

17 July 2009

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Statement of Parliamentary Supply

Summary of Resource Outturn

For the year ended 31 March 2009

Request for Resources	Estimate			Outturn			Net Total outturn compared with Estimate: saving/(excess) ¹	2007-08 Net Total
	Admin Costs	Grants	Net Total	Admin Costs	Grants	Net Total		
	£000	£000	£000	£000	£000	£000		
1 Administrative expenditure	239,989	-	239,989	230,585	-	230,585	9,404	226,559
2 Grants to other bodies	-	4,011	4,011	-	4,011	4,011	-	1,326
Total resources	239,989	4,011	244,000	230,585	4,011	234,596	9,404	227,885
Non-operating income						(2)	2	(3)

Net cash requirement 2008-09

	Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving/(excess) ¹	2007-08 Outturn
		£000	£000	£000	£000
		Net cash requirement	3	191,700	164,054

Summary of income payable to the Consolidated Fund.

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

	Note	Forecast 2008-09		Outturn 2008-09	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£000	£000	£000	£000
Total income payable to the Consolidated Fund	4	-	-	278	278

¹ Explanations of variances between the Estimate and Outturn are given in the Management Commentary (Page 7).

Operating Cost Statement

for the year ended 31 March 2009

		2008-09		2007-08
		Staff Costs	Other Costs	Income
	Note	£000	£000	£000
Administration Costs				
Staff Costs	6	76,985		74,451
Other administration costs	7		162,956	160,930
Operating income	9			(9,356)
Programme Costs				
Expenditure	8		4,011	1,326
Operating income				
Totals		<u>76,985</u>	<u>166,967</u>	<u>(9,356)</u>
Net Operating Cost				<u>234,596</u>
				<u>227,885</u>

Statement of Recognised Gains and Losses

for the year ended 31 March 2009

		2008-09	2007-08
	Note	£000	£000
Net gain/(loss) on revaluation of tangible fixed assets	10 and 18a	58,252	22,169
Receipt of donated assets	18b	100	50
Gain/(loss) on pension liabilities due to changes in actuarial assumptions	16a	39,900	22,000
Total gains and losses recognised since last annual accounts		<u>98,252</u>	<u>44,219</u>

Balance Sheet

as at 31 March 2009

	Note	2008-09		2007-08	
		£000	£000	£000	£000
Fixed assets:					
Tangible assets	10	1,201,913		1,157,389	
Intangible assets	11	324		383	
			1,202,237		1,157,772
Current assets:					
Stocks	12	515		478	
Debtors	13	9,646		9,273	
Cash at bank and in hand	14	5,351		4,833	
		15,512		14,584	
Creditors (amounts falling due within one year)	15	(16,651)		(15,089)	
Net current assets			(1,139)		(505)
Total assets less current liabilities			1,201,098		1,157,267
Creditors (amounts falling due after more than one year)	15	-		-	
Provisions for liabilities and charges	16a, 16b	(327,866)		(341,531)	
			(327,866)		(341,531)
			873,232		815,736
Taxpayers' equity:					
General fund	17		391,554		385,391
Revaluation reserve	18a		477,926		426,798
House of Commons Commission reserve	18c		3,389		3,284
Donated asset reserve	18b		363		263
			873,232		815,736

Malcolm Jack
Accounting Officer

16 July 2009

Cash Flow Statement

for year ended 31 March 2009

	Note	2008-09	2007-08
		£000	£000
Net cash outflow from operating activities	19a	(159,472)	(158,546)
Capital expenditure and financial investment	19b,c	(4,582)	(9,628)
Receipts due to the Consolidated Fund which are outside the scope of the House of Commons' activities	4	278	177
Payments of amounts due to the Consolidated Fund		(311)	(552)
Financing ¹	19d	164,605	169,403
Increase in cash in the period		518	854

¹The amount of grant actually issued to support the net cash requirement equalled £164,500,000.

Notes to the Resource Accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the House of Commons Financial Reporting 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 one further primary statement is 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.

1.1 Relationship with House of Lords

The House of Commons and the House of Lords hold joint stewardship of the Palace of Westminster. Responsibility for maintenance of the Palace and the remaining parts of the parliamentary estate is a centralised function resting with the Parliamentary Estates Directorate within the Department of Facilities in the House of Commons. General estates expenditure, individual maintenance and building projects are shared by House of Commons and the House of Lords on a 60:40 basis and recharged accordingly, or solely allocated to the House of Commons or House of Lords. Other shared costs are split at agreed ratios for that service.

The Parliamentary Archives are a shared facility, operated on behalf of both Houses by the House of Lords. The costs of the Archives are split between the House of Commons and House of Lords on a 40:60 ratio.

Arrangements for security are agreed jointly by the authorities of both Houses of Parliament with the Metropolitan Police. These costs are monitored jointly by the authorities in the two Houses but are billed individually to the House of Commons and House of Lords in a pre-determined ratio (69:31 for 2008-09).

Since 1 January 2006 the management of the ICT services for both Houses has been centralised within the Parliamentary Information and Communications Technology (PICT) service. Each House pays for its own ICT hardware with the costs of shared services being split on an 80:20 ratio. Joint ICT development project costs are shared on an agreed project by project basis. PICT formally became a joint department of both Houses on 1 April 2008 under the terms of the Parliament (Joint Departments) Act 2007.

1.2 Accounting convention

The financial statements have been prepared under the historical cost accounting convention, modified in respect of the treatment of land and buildings which are included at valuation. Other fixed assets are not generally revalued unless the adjustments are material.

1.3 Tangible fixed assets

Tangible fixed assets are stated at historical cost with the exception of land and buildings which are shown at current cost. The minimum level for capitalisation of a tangible fixed asset is £1,000. Smaller items may be grouped depending on whether such groups have a significant value above the capitalisation threshold. Desktop computers, monitors and printers are deemed to be capital items.

Freehold properties

Title to freehold land and buildings is held as follows:

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

The Palace is revalued by applying the Royal Institution of Chartered Surveyors (RICS) Tender Price Index. The indices are adjusted using a mean average method over a number of years to smooth volatility. There is a full professional valuation every five years, with an interim review after three years to ensure that the indices remain in line with the fair value.

All other freehold properties on the parliamentary estate are subject to a full professional valuation every five years, with an interim review each year based on the Valuation Office Agency's 'The Offices Index'. These arrangements are in accordance with Financial Reporting Standard 15 (FRS15).

The whole of the parliamentary estate was fully revalued by the Valuation Office Agency (VOA) as at 31 March 2008. Brought forward values for properties regarded by the House of Commons as operational have been valued on the basis of existing use value or, where this could not be assessed because there was no market for the subject asset, on a

depreciated replacement cost (DRC) basis.

Long Leasehold

A property, 102 Rochester Row, is held on a long leasehold and has been included on the Balance Sheet in accordance with accounting standards (SSAP21).

Investment properties

The House of Commons holds interests in land and buildings which are classified as investment properties with the rental income being negotiated at arm's length. All contracts are treated on an operating lease basis. These properties are the car park at Abingdon Street, 11 Bridge Street and Units A, B and C in Portcullis House.

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

Office equipment

Computers, furniture and other equipment are included at their 31 March 2006 valuation. Acquisitions since 31 March 2006 have been capitalised at cost.

Antique furniture

The antique furniture was professionally re-valued at 31 March 2007. Each year the Furniture Manager in the Parliamentary Estates Directorate carries out an internal review to assess if any material revaluation adjustment is required.

Speaker's silver

The Speaker's silver is normally re-valued on an open market value basis every five years unless there is a material change of value in the interim period. The Speaker's silver was re-valued in October 2007.

Plant and machinery

Plant and machinery includes the Great Clock mechanism, Department of Facilities kitchen equipment and vehicles. The Great Clock was re-valued using appropriate indices at 31 March 2006. Kitchen equipment and vehicles are not re-valued.

1.4 Non operating heritage assets

In addition to the operational heritage assets such as the Palace of Westminster, the Great Clock, the Speaker's silver, and antique furniture, the House of Commons holds significant collections of art, parliamentary archives, antiquarian books, the Speaker's state coach and various other antiquarian artefacts.

Parliamentary art collection

The Houses of Parliament art collection consists of works of art and statuary collected since 1841 depicting parliamentary institutions, statesmen and women. The collection originally consisted of works of art commissioned by the Fine Arts Commission, with the purpose of bringing the history of the nation to life on the walls of the grand interiors of the Houses of Parliament. Many of the works added later to the collection were acquired as donations from Members of both Houses. Until 1991 the collection was held jointly by both Houses of Parliament. At that date works were nominally split between the two Houses on the basis of where they were situated at that date. However, this split did not necessarily reflect actual ownership at the date of acquisition or the locations for which works were originally commissioned or intended.

In accordance with the Financial Reporting Manual, the value of the parliamentary art collection as at 31 March 2000 is not included on the balance sheet. It comprises:

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

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

Parliamentary Archives

The Parliamentary Archives comprises several million documents that have been preserved at the Palace of Westminster from 1497 to date in a variety of formats from medieval vellum and parchment to modern computer disk. Parliamentary records prior to 1497 form part of the National Archives. Most of the records are unique and irreplaceable and have been preserved for their historical, legal and administrative value. The Parliamentary Archives was established within the House of Lords in 1946 and administration costs have been shared with the House of Commons since 1999.

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

Any operational assets held by the Parliamentary Archives are disclosed within the House of Lords Resource Accounts.

Antiquarian books

In addition to the current working collection of books and monographs the House of Commons Library holds a large collection of antiquarian books. The collection includes volumes dating back to the sixteenth century, although the majority of the collection dates from the eighteenth century or later.

In accordance with the requirements of the Financial Reporting Manual, the value of the antiquarian books held at 31 March 2000 is not included on the balance sheet. However, acquisitions from 1 April 2000 are valued at cost and have been included with the library book stock valuation.

The Speaker's state coach

The Speaker's state coach is a late seventeenth century giltwood and painted carriage on which some restoration work was undertaken in 2007-08. It is not in a roadworthy condition. In accordance with the Financial Reporting Manual it has not been valued, because a reliable estimate of its free market value could not be obtained.

1.5 Depreciation

Depreciation is charged to expenditure, on the historic value or, for buildings, the re-valued amount of assets. For buildings, that element of the depreciation which relates to the increase in valuation in prior years is charged to the Revaluation Reserve. This amount is realised by transferring the Revaluation Reserve to the General Fund over the remaining useful life of the asset. Land assets are not depreciated.

Depreciation is charged on a straight line basis with the exception of Library books for which depreciation is calculated on a reducing balance basis.

Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other tangible fixed assets by equal instalments over their estimated useful lives, with the exception of heritage assets, i.e. antique furniture, speakers silver and the Parliamentary art collection with an estimated life of more than 200 years. Heritage assets are not depreciated (as per accounting standard FRS 15) because the long remaining life or high residual value of the asset makes any such charge immaterial. Capital works on leasehold property are depreciated on a straight line basis over the lease period.

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

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

Land and buildings	Years
Land	not applicable
Palace of Westminster	87
Freehold property (excluding Portcullis House)	20-45
Portcullis House	50-75
Leasehold property	14-20
Other tangible fixed assets	
Furniture - standard	10
Furniture - antique	400
Plant & machinery – catering	10-30
Plant & Machinery - Great Clock mechanism	400
Other plant and machinery	4-5
Works of Art	400
Fixtures and fittings - standard	10
Fixtures and fittings - antique	400
Speaker's Silver	400
General office equipment	3-5
Library books	10
Computer file servers	5
Computer equipment (excluding file servers)	4-5
Broadcasting equipment	10
Telephone equipment	5

1.6 Donated assets

Donated tangible fixed assets are capitalised at their valuation on receipt, and this value is credited to the Donated Assets Reserve. Subsequent revaluations are also taken to this reserve.

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

1.7 Intangible fixed assets

Intangible fixed assets are licences for software that have been provided by third parties, costing in excess of £1,000. Software licences are capitalised and amortised over the expected useful life of the software.

1.8 Current investments

The House of Commons holds short term current investments. These are all held in cash and are included in the "Bank and Cash in Hand" figures. Interest receivable on the House of Commons Commission Reserve is credited to that reserve. Any other interest received is treated as operating income.

1.9 Stocks and work in progress

Stocks and work in progress are valued as follows:

- a. Finished goods and goods for resale are valued at cost or, where materially different, current replacement cost, and at net realisable value only when they either cannot or will not be used.
- b. Work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

1.10 Research and development

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

1.11 Operating income

Such income relates directly to the operating activities of the House of Commons. It principally comprises private bill fees, royalties and the sale of refreshments, books, videos, souvenirs and visitor ticket sales.

1.12 Administration and programme costs

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the costs of running the House of Commons, together with associated operating income. Income is analysed between that which is allowed to be offset against the gross administrative cost and other income.

Programme costs are non-administration costs, consisting of grant-in-aid to various Parliamentary bodies, the History of Parliament Trust and the Association of Former Members of Parliament.

1.13 Capital charge

A charge, reflecting the cost of capital utilised by the House of Commons, is included in operating costs. The charge is calculated at the HM Treasury standard rate of 3.5% on all assets less liabilities, except for heritage assets, donated assets and cash balances with the Office of the Paymaster General (OPG), where the charge is nil. Additions to collections (e.g. works of art, archives, antiquarian books) are also exempt from the capital charge.

1.14 Foreign exchange

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

1.15 Pensions

Present and past employees are covered by the provisions of the House of Commons Staff Pension Scheme (HOCSPS) which operates by analogy to the Principal Civil Service Pension Scheme (PCSPS). There are five pension schemes (see Note 6), which are available according to when employees commenced service in the House.

1.16 Early departure costs

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

1.17 Leases

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

1.18 Private Finance Initiative (PFI) transactions

The House of Commons has no PFI transactions.

1.19 Provisions

The House of Commons makes provision for pensions, early departure costs and legal costs. The House of Commons Staff Pension Scheme (HOCSPS) was re-valued under FRS17 at 31 March 2008, with an updated assessment, in accordance with the accounting standard, for 2008-09.

1.20 VAT and Corporation Tax

Most of the activities of the House of Commons are outside the scope of VAT and, in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

The House is not subject to Corporation Tax.

1.21 Third party assets

The House of Commons holds third party assets in the form of gratuities and service charges on behalf of catering.

1.22 House of Commons Commission Reserve

Under the powers provided by the House of Commons (Administration) Act 1978 as amended by the Government Resources and Accounts Act 2000, the House of Commons Commission has established a reserve for any excess income generated. Agreement of the Commission is required before any sums can be drawn down.

2. Reconciliation of net resource outturn to net operating cost

		2008-09		2007-08	
	Note	Supply Estimate £000	Outturn £000	Outturn compared with Estimate £000	Outturn £000
Net Resource Outturn		244,000	234,596	9,404	227,885
Surplus income retained for transfer to HOCC Reserve	9		-	-	-
Net Operating Cost		244,000	234,596	9,404	227,885

3. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with estimate: saving/(excess) £000	2007-08 Outturn £000
Resource Outturn		244,000	234,596	9,404	227,885
Capital					
Acquisition of fixed assets	19c	12,000	4,584	7,416	9,631
Non operating Income					
Proceeds of fixed asset disposals	5	-	(2)	2	(3)
Accruals adjustments					
Non-cash items – other administration costs	7	(57,351)	(66,802)	9,451	(62,139)
Non-cash items – staff costs	6	(14,799)	(13,400)	(1,399)	(15,200)
Changes in working capital other than cash	19a	-	(739)	739	2,628
Changes in creditors falling due after more than one year	15	-	-	-	-
Use of provision	16	7,850	5,817	2,033	5,372
Net Cash Requirement		191,700	164,054	27,646	168,174

4. Analysis of income payable to the Consolidated Fund

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

	Forecast 2008-09		Outturn 2008-09	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
	£000	£000	£000	£000
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	-	-	278	278
Total income payable to the Consolidated Fund	-	-	278	278

5. Non-Operating income

	2008-09	2007-08
	£000	£000
Disposal of fixed assets	2	3

6. Staff numbers and related costs

Staff costs comprise:

	2008-09	2007-08
	£000	£000
Wages and salaries	54,963	50,450
Social security costs	4,363	4,086
Other pension costs (non-cash)	13,400	15,200
Contributions to stakeholder pensions	72	63
Sub Total	72,798	69,799
Inward secondments/agency staff	5,034	5,218
Sub Total	77,832	75,017
Less recoveries in respect of outward secondments	(847)	(566)
Total net costs	76,985	74,451

For 2008-09 contributions of £13,400,000 were payable to the HOCSPS (2007-08 £15,200,000) at a rate determined by the Government Actuary. The scheme's actuary reviews employer contributions on a periodic basis. The contribution rate reflects benefits as they accrue, not when the costs are actually incurred, and reflects past experience of the scheme.

By agreement between the House of Commons and the House of Lords, the whole cost of the pension provision for staff in some shared services with the exception of those in Parliamentary Information Communications Technology falls on the

House of Commons, regardless of whether the salary costs are shared.

The House of Commons Staff Pension Scheme is split into the following five elements:

(a) Classic Scheme

This scheme is available for staff in service before 1 October 2002 and who opted to join this scheme from this date. It is a final salary scheme.

Benefits accrue at the rate of $1/80^{\text{th}}$ of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings. On death, pensions are payable to the surviving spouse or partner at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse or partner's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for spouse or partner pensions.

b) Premium Scheme

This scheme is available for staff who joined on or after 1 October 2002, and before 30 July 2007. It is also available for staff in service before 1 October 2002, who opted to join Premium from this date. It is a final salary scheme.

Benefits accrue at the rate of $1/60^{\text{th}}$ of final pensionable earnings for each year of service. Unlike the Classic scheme, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of $3/80^{\text{ths}}$ of final pensionable earnings for each year of service or 2.25 times pension if greater.

For the purposes of pension disclosure the figures assume maximum commutation. Members pay contributions of 3.5% of pensionable earnings. On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse or partner's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them from undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

(c) Classic Plus Scheme

This scheme is available for staff in service before 1 October 2002 and who opted to join this scheme from this date. It is a final salary scheme.

This is essentially a variation of the Premium scheme but with benefits in respect of service before 1 October 2002 calculated broadly as for the Classic scheme.

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

d) Nuvos Scheme

This scheme is one of two pension arrangements available to staff who joined from 30 July 2007. It is a career average re-valued earnings (CARE) scheme with a pension age of 65. The benefits paid will reflect the level of pay earned throughout the individual's career rather than the final years before leaving.

e) Partnership Scheme

This is a money purchase stakeholder scheme, also known as a defined contribution scheme. It is available to staff as an alternative to Premium (from 1 October 2002) and as an alternative to Nuvos (from 30 July 2007).

The House of Commons pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employees do not have to contribute but, where they do, their contributions will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25% of the fund as a lump sum.

Five persons retired early on ill health grounds during 2008/09; the total additional accrued pension liabilities in the year amounted to £15,000.

Average number of persons employed

The average number of full-time equivalent (FTE) persons employed during the year including those staff involved in delivering shared services funded by the House of Lords, were:

	2008-09	2007-08
Average Number (<i>permanent staff</i>)	1,748	1,695
Average Number (<i>agency staff</i>) ¹	24	40

Additional staff have been engaged to improve and develop ICT services, expand education and outreach activities, manage major Estate investments projects, for new work arising from procedural changes and to meet additional demands in areas such as Freedom of Information (FOI).

7. Other Administration Costs

	Note	2008-09		2007-08	
		£000	£000	£000	£000
Rentals under operating leases					
Buildings rental		10,720		8,488	
Other rental		513		495	
Subtotal			11,233		8,983
Cash Items					
Accommodation services		19,782		24,295	
Security		20,693		20,331	
Information		14,623		15,308	
Communications		6,642		6,332	
Finance and specialist services		5,315		5,908	
Computer maintenance		5,833		6,342	
Catering and other supplies		4,045		3,793	
Travel and subsistence		3,881		3,578	
Other staff costs		2,526		2,449	
Office supplies		1,329		1,288	
Broadcasting		252		184	
Subtotal			84,921		89,808
Non-cash items					
Cost of capital charges	17	29,568		28,337	
Auditors' remuneration and expenses					
UK GAAP	17	101		100	
IFRS	17	12		-	
Depreciation and amortisation of fixed assets:					
Tangible fixed assets	10	18,240		16,685	
Intangible fixed assets	11	128		315	
(Profit)/loss on disposal of fixed assets	10	1		689	
Loss on revaluation of fixed assets	10	164		90	
Gain on revaluation of fixed assets	10	(64)		(53)	

Interest cost	16a	18,400	15,700
Legal claims and early retirement costs	16b	248	275
Unwinding of discount on provisions	16b	4	2
Gain on stock valuation		-	(1)
Subtotal		66,802	62,139
Grand Total		162,956	160,930

8. Net Programme Costs

	2008-09	2007-08
Note	£000	£000
Grant-in-aid payable : History of Parliament Trust	1,408	1,320
Grant-in-aid payable : Commonwealth Parliamentary Association ¹	1,324	-
Grant-in-aid payable : Inter Parliamentary Union ¹	1,056	-
Grant-in-aid payable : British Irish Parliamentary Assembly ¹	143	-
Grant-in-aid payable : British American Parliamentary Group ¹	74	-
Grant-in-aid payable : Association of Former Members of Parliament	6	6
	4,011	1,326

¹ Responsibility for grant-in-aid to the four parliamentary bodies transferred from HM Treasury with effect from 1 April 2008.

9. Operating Income

	2008-09	2007-08
	Income included in operating cost statement	Income included in operating cost statement
	£000	£000
Receipts from sales	8,899	8,208
Rental receipts and associated charges	415	551
Other receipts	31	9
Fees on private bills	9	49
Interest receivable	2	5
	9,356	8,822

10. Tangible fixed assets

	Land & Buildings	Antique and other furniture	Speaker's Silver	Parliamentary art collection	Plant and Machinery	Equipment and computers	Other assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost at 1 April 2008	1,792,001	15,090	1,870	1,175	2,734	28,056	234	1,841,160
Additions	2,573	255	-	120	1	1,566	-	4,515
Assets completed	-	-	-	-	-	234	(234)	-
Donations	-	-	-	100	-	-	-	100
Disposals/write offs ¹	-	-	-	-	-	(4,648)	-	(4,648)
Loss on revaluation ²	(164)	-	-	-	-	-	-	(164)
Gain on revaluation ³	103,438	-	-	-	-	-	-	103,438
At 31 March 2009	1,897,848	15,345	1,870	1,395	2,735	25,208	-	1,944,401
Depreciation								
At 1 April 2008	664,714	1,993	-	-	125	16,939	-	683,771
Charge in the year	14,134	413	-	-	144	3,549	-	18,240
Disposals/write offs	-	-	-	-	-	(4,645)	-	(4,645)
Revaluation	45,122	-	-	-	-	-	-	45,122
Write back due to revaluation	-	-	-	-	-	-	-	-
At 31 March 2009	723,970	2,406	-	-	269	15,843	-	742,488
Net Book Value 31/03/09	1,173,878	12,939	1,870	1,395	2,466	9,365	-	1,201,913
Net Book Value 31/03/08	1,127,287	13,097	1,870	1,175	2,609	11,117	234	1,157,389

Analysis of land and buildings

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

	Land		Buildings Improvements to short leasehold		Investments	Total
	Freehold	Long leasehold	Freehold	Long leasehold		
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2008	167,790	180	1,611,609	270	1,262	10,890
Additions	-	-	2,147	-	426	-
Assets completed	-	-	-	-	-	-
Donations	-	-	-	-	-	-
Disposals/write offs	-	-	-	-	-	-
Loss on revaluation	-	-	(164)	-	-	(164)
Gain on revaluation	6,033	1	97,334	2	-	68
At 31 March 2009	173,823	181	1,710,926	272	1,688	10,958
Depreciation						
At 1 April 2008	-	-	664,370	-	344	-
Charge in the year	-	-	14,021	14	99	-
Disposals/write offs	-	-	-	-	-	-
Revaluation	-	-	45,122	-	-	-
Write back due to revaluation	-	-	-	-	-	-
At 31 March 2009	-	-	723,513	14	443	-
Net Book Value 31/03/09	173,823	181	987,413	258	1,245	10,958
Net Book Value 31/03/08	167,790	180	947,239	270	918	10,890

¹ The net book value of disposals/write offs was £3,000, whilst income received was £1,568. The disposals are IT Equipment made in the normal course of business.² £164,000 of the revaluation loss has been charged to the operating cost.³ £103,374,000 of the revaluation gain has been credited to the revaluation reserve, the remaining £64,000 previous gains charged to the operating cost.

Land and Buildings analysed by Net Book Value

Analysed by individual land, buildings and investment property

	Land £000	Buildings £000	Investment £000	Total £000
Palace of Westminster ¹	101,582	642,309		743,891
Portcullis House	35,220	279,110		314,330
Norman Shaw South	5,494	9,904		15,398
1 Parliament Street	9,801	14,500		24,301
Norman Shaw North	8,770	15,843		24,613
1 Derby Gate	5,474	7,895		13,369
1 Canon Row	3,170	5,818		8,988
Visitors Reception building		5,677		5,677
Abingdon St Car Park			5,389	5,389
Units A, B & C Portcullis House			4,136	4,136
3 Parliament Street	1,409	2,049		3,458
2 Parliament Street	1,107	1,612		2,719
4 Canon Row	845	1,231		2,076
2 Canon Row	704	1,025		1,729
11 Bridge Street			1,434	1,434
Improvements to leasehold buildings			1,245	1,245
22 John Islip Street	247	439		686
102 Rochester Row	181	258		439
NBV at 31 March 2009	174,004	987,670	12,204	1,173,878

¹ The total value of the Palace at 31 March 2009 was £1,239,817,852 (House of Commons share £743,890,711).

The Great Clock

The clock was last valued as at 31 March 2006 using appropriate indices from Historic Table 4 of the Office of National Statistics publication MM17 at £3,233,581 (House of Commons share £1,940,149). The House of Commons share is included in Plant and Machinery.

11. Intangible fixed assets

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

	2008-09
	£000
Cost or valuation	
At 1 April 2008	1,362
Additions	69
Disposals	(829)
At 31 March 2009	602
Amortisation	
At 1 April 2008	979
Charged in year	128
Disposals	(829)
At 31 March 2009	278
Net book value at 31 March 2009	324
Net book value at 31 March 2008	383

12. Stocks and work in progress

	As at 31 March 2009	As at 31 March 2008
	£000	£000
Stocks ¹	515	478
	515	478

¹Figure includes gain on stock valuation

13. Debtors

	As at 31 March 2009	As at 31 March 2008
	£000	£000
Amounts falling due within one year:		
Trade debtors	2,689	1,839
Deposits and advances	711	603
VAT and other taxes	1,225	1,810
Other debtors	2	90
Prepayments and accrued income	5,019	4,931
	9,646	9,273

14. Cash at bank and in hand

	As at 31 March 2009	As at 31 March 2008
	£000	£000
Balance at 1 April	4,833	3,979
Net change in cash balances	518	854
Balance at 31 March	5,351	4,833
The following balances at 31 March were held at:		
Office of HM Paymaster General	1,628	1,241
Commercial banks and cash in hand	334	308
Investment account	-	-
House of Commons Commission Reserve account	3,389	3,284
Balance at 31 March	5,351	4,833
Amounts issued from the Consolidated Fund but not spent at year end	1,819	1,373
Consolidated fund extra receipts received and receivable and due to be paid to the consolidated fund	143	176
House of Commons Commission Reserve	3,389	3,284
	5,351	4,833

15. Creditors

	As at 31 March 2009	As at 31 March 2008
	£000	£000
Amounts falling due within one year		
Other taxation and social security	1,776	1,616
Trade creditors – current	1,528	2,217
Capital - accruals	1,389	904
Members	8	4
Other creditors	1,491	1,365
Accruals and deferred income	8,497	7,434
	14,689	13,540
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,819	1,373
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
Received	143	176
Receivable	-	-
	16,651	15,089
Amounts falling due after more than one year:		
Accruals and deferred income	-	-
	16,651	15,089

16. Provisions for liabilities and charges

16(a) Pensions

The House of Commons Staff Pension Scheme (HOCSPS) is valued under FRS17.

	2008-09	2007-08
	£000	£000
Balance at 1 April	341,347	337,561
Current service cost		
Employers	13,400	15,200
Employees ¹	1,615	1,406
Past service costs	-	-
(Gains)/loss due to changes in assumptions underlying present value of the scheme liabilities – discount rate	(39,900)	(22,000)
(Gains)/loss due to changes in assumptions underlying present value of scheme liabilities - other	-	-
Interest cost	18,400	15,700
Less		
Benefits paid ¹	(9,126)	(7,654)
Transfers in /less transfers out ¹	1,928	1,134
Balance at 31 March	327,664	341,347

¹Provision used in year was £5,583,000 (£9,126,000 less £1,615,000 and £1,928,000)

A full actuarial valuation of the scheme's liabilities was carried out during 2008-09 by the Government Actuary's Department (GAD). The major assumptions used by the actuary were:

	at 31 March 2009	at 31 March 2008
Inflation assumption	2.75%	2.75%
Rate of increase in salaries	4.3%	4.3%
Rate of increase for deferred pensions	2.75%	2.75%
Rate of increase in pensions in payment	2.75%	2.75%
Rate used to discount scheme liabilities	6.04%	5.32%

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

History of Actuarial Gains and Losses

	2008-09	2007-08	2006-07	2005-06
	£000	£000	£000	£000
Total Actuarial (Gain)/Loss				
Amount	(39,900)	(22,000)	63,100	30,500
As a percentage of the present value of the scheme liabilities at 31 March	12.2%	6.4%	18.7%	12.0%

16(b) Early departure costs and legal claims

	Early Departure Costs	Legal Claims	Total
	£000	£000	£000
Balance at 1 April 2008	68	116	184

Provided in the year	168	80	248
Provisions utilised in the year	(118)	(116)	(234)
Unwinding of discount	4	-	4
Balance at 31 March 2009	122	80	202

Early departure costs

The House meets the additional cost of benefits beyond the normal HOCSPS benefits in respect of employees who retire early by transferring the required amounts annually to the HOCSPS over the period between early departure and normal retirement age. The House provides for this in full if and when the early departure becomes binding on the House by establishing a provision for the estimated payments discounted by 2.2% in real terms.

Legal claims

Provision has been made for various legal claims against the House of Commons. This reflects all known claims where legal advice indicates that it is more than 50% likely that the claim will be successful and the amount of the claim can be reliably estimated. The previous provision of £116,000 raised in 2007-08 was paid during the financial year.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 22.

17. General Fund

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

		As at 31 March 2009	As at 31 March 2008
	Notes	£000	£000
Balance at 1 April		385,391	388,607
Net Parliamentary Funding			
Drawn down		164,500	169,250
Deemed		1,373	297
Year end adjustment			
Supply creditor – current year		(1,819)	(1,373)
Net Transfer from Operating Activities			
Net Operating Cost		(234,596)	(227,885)
Transfer from General Fund to HOCC Reserve		-	-
Non Cash charges			
Cost of capital	7	29,568	28,337
Auditors' remuneration – UK GAAP	7	101	100
Auditors' remuneration - IFRS	7	12	-
Loss due to changes to actuarial assumptions on pension scheme	16a	39,900	22,000
Transfer to General Fund of realised element of Revaluation Reserve	18a	7,124	6,058
Balance at 31 March		391,554	385,391

18. Reserves**18(a) Revaluation Reserve**

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

	2008-09		2007-08	
	Investment Properties	Other Fixed Assets	Total	Total
	£000	£000	£000	£000
Balance at 1 April	3,092	423,706	426,798	410,687
Revaluation gain during the year	-	103,374	103,374	35,957
Revaluation loss netted against reserve	-	-	-	(23,690)
Net back log depreciation	-	(45,122)	(45,122)	(10,271)
Write Back	-	-	-	20,173
Transferred to General Fund in respect of realised element of Revaluation Reserve	-	(7,124)	(7,124)	(6,058)
Balance at 31 March	3,092	474,834	477,926	426,798

Total gain recognised in the Statement of Recognised Gains and Losses is £58,252,000 (£103,374,000 less £45,122,000)

18(b) Donated Asset Reserve

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

	2008-09	2007-08
	£000	£000
Balance at 1 April	263	213
Additions during the year	100	50
Release to the General Fund	-	-
Balance at 31 March	363	263

18(c) House of Commons Commission Reserve

	2008-09	2007-08
	£000	£000
Balance at 1 April	3,284	3,131
Transfer from General Fund to HOCC Reserve	-	-
Interest received	105	153
Release to the General Fund	-	-
Balance at 31 March	3,389	3,284

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

	Notes	2008-09		2007-08	
		£000	£000	£000	£000
Net operating cost			(234,596)		(227,885)
Non-cash transactions – other administration costs	7		66,802		62,139
Non-cash transactions – staff costs	6		13,400		15,200
Changes in working capital other than cash					
(Increase)/decrease in stock	12	(37)		(143)	
(Increase)/decrease in debtors	13	(373)		(944)	
Increase/(decrease) in creditors	15	1,562		(840)	
<i>Less (increase)/decrease in amounts due to the consolidated fund</i>		<i>(413)</i>		<i>(701)</i>	
			739		(2,628)
Increase/(decrease) in creditors falling due after more than one year	15		-		-
Use of provisions	16		(5,817)		(5,372)
Net cash outflow from operating activities			(159,472)		(158,546)

19(b) Analysis of capital expenditure and financial investment

	Note	2008-09	2007-08
		£000	£000
Tangible fixed asset additions	10	(4,515)	(9,426)
Intangible fixed asset additions	11	(69)	(205)
Proceeds from disposal of fixed assets	5	2	3
Net cash outflow from investing activities		(4,582)	(9,628)

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

	Capital expenditure	Loans etc	A in A	Net total
	£000	£000	£000	£000
Request for Resources 1	4,584	-	(2)	4,582
Request for Resources 2	-	-	-	-
Total 2008-09	4,584	-	(2)	4,582
Total 2007-08	9,631	-	(3)	9,628

19(d) Analysis of financing

	Note	2008-09 £000	2007-08 £000
From the Consolidated Fund (Supply) – current year	17	164,500	169,250
From the Consolidated Fund (Supply) – prior year	17	-	-
Interest received on HOCC Reserve balance	18(c)	105	153
Net financing		164,605	169,403

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

	Note	2008-09 £000	2007-08 £000
Net cash requirement	3	(164,054)	(168,174)
From the Consolidated Fund (Supply) – current year	17	164,500	169,250
From the Consolidated Fund Supply – prior year		-	-
Amounts due to the Consolidated Fund received in prior year and paid over		(176)	(551)
Amounts due to the Consolidated Fund received and not paid		143	176
Transfer form General Fund to HOCC Reserve		-	-
Interest received on HOCC Reserve balance	18(c)	105	153
Increase/(decrease) in cash		518	854

20. Capital commitments

	<u>2008-09</u>	<u>2007-08</u>
	<u>£000</u>	<u>£000</u>
Contracted capital commitments at 31 March 2009 for which no provision has been made:	2,253	2,347

21. Commitments under leases*21.1 Operating leases*

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

	<u>2008-09</u>	<u>2007-08</u>
	<u>£000</u>	<u>£000</u>
Obligations under operating leases comprise:		
Land and buildings:		
Expiry within 1 year	-	-
Expiry after 1 year but not more than 5 years	131	131
Expiry thereafter	10,686	12,203
	<u>10,817</u>	<u>12,334</u>
Other:		
Expiry within one year	62	154
Expiry after 1 year but not more than 5 years	281	399
Expiry thereafter	-	-
	<u>343</u>	<u>553</u>

21.2 Finance leases

There were no significant finance leases held during 2008-09 (2007-08 £nil).

22. Contingent liabilities disclosed under FRS 12*Quantifiable contingent liabilities:*

	<u>At</u>	<u>Increase in</u>	<u>Liabilities</u>	<u>Obligation</u>	<u>At</u>
	<u>1 April 2008</u>	<u>year</u>	<u>crystallised</u>	<u>expired in</u>	<u>31 March 2009</u>
	<u>£000</u>	<u>£000</u>	<u>in year</u>	<u>year</u>	<u>£000</u>
Personal injuries claims	85	80	(25)	-	140

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

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

	At 1 April 2008	Increase in year	Liabilities crystallised in year	Obligation expired in year	At 31 March 2009
	£000	£000	£000	£000	£000
Works of Art on loan from various collections	6,344	1,054	-	(1,000)	6,398

24. Losses and special payments

24(a) Losses Statement

	2008-09	2007-08
	£000	£000
Total – 82 cases (2007-08 90 cases)	10	1,272

24(b) Special Payments

There were no special payments in 2008-09 that require separate disclosure (2007-08 £nil).

25. Related-party transactions

The House of Lords and the House of Commons share some buildings and services. These include the Palace of Westminster, the Parliamentary Estates Directorate (together with the former Parliamentary Works Services Directorate), the Parliamentary Archives and the Parliamentary Information and Communications Technology (PICT) service.

These joint arrangements are charged between the two Houses on an agreed percentage basis of underlying costs for each service (certain accommodation and overhead costs are excluded). Each House includes their share of the relevant asset base and/or service cost in their Resource Accounts. The percentage for each House for the key shared services is as follows:

	House of Commons	House of Lords
Communications services	80%	20%
Visitor Tours	70%	30%
Accommodation and Works services	60%	40%
Broadcasting services	60%	40%
The Parliamentary Archives	40%	60%

The House of Commons incurred expenditure of £23,778,000 on behalf of the House of Lords during 2008-09. The balance relating to accommodation, works and other shared services owed to the House of Commons by the House of Lords was £722,000.

The House of Lords incurred expenditure of £421,000 on behalf of the House of Commons during 2008-09. The balance owed to the House of Lords by the House of Commons was £15,000.

PICT manages the ICT for both Houses. Each House pays for its own IT hardware, with the costs of shared services being split on an agreed 80:20 ratio (Commons: Lords). Joint ICT development projects are shared on an agreed project by project basis.

The British-Irish Parliamentary Assembly (BIPA) is provided with accounting services and accommodation. The House made payments of £162,000 on behalf of the BIPA in 2008-09. At the year end, the balance due from BIPA in respect of 2008-09 expenditure was £6,000. Accommodation is also provided to the British American Parliamentary Group, Commonwealth Parliamentary Association and the British Group of the Inter-Parliamentary Union.

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

26. Third-party assets

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

	<u>31 March 2008</u>	<u>Gross inflows</u>	<u>Gross outflows</u>	<u>31 March 2009</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Gratuities and service charges	40	381	(377)	44

27. Financial instruments

As the cash requirements of the House are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the House's expected purchase and usage requirements and the House is therefore exposed to little credit, liquidity or market risk.

Liquidity risk

The House of Commons is financed by resources voted annually by Parliament. As such it is not exposed to significant liquidity risks.

Interest rate risk

All of the House's financial assets and liabilities carry fixed or nil rates of interest. The House is not therefore exposed to significant interest rate risk.

Foreign currency risk

Foreign currency would not usually form part of the House's assets or liabilities and as such it is not exposed to any significant exchange risks.

Fair values

Set out below is a comparison by category of book values and fair values of the House primary financial assets and liabilities as at 31 March 2009.

	Note	Book Value	Fair Value
		£000	£000
Primary financial instruments			
Financial assets			
Cash at bank & in hand	14	5,351	5,351
Debtors	13	4,627	4,627
Financial liabilities			
Creditors	15	14,689	14,689
Early Departures ¹	16b	122	122

¹Fair value is not different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 2.2 to 2.8% in real terms.

28. Post balance sheet events

In accordance with the requirements of FRS 21, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

A Parliamentary Standards Bill was introduced in the House of Commons on 23 June 2009. The Bill makes provision to establish a body corporate known as the Independent Parliamentary Standards Authority and an officer known as the Commissioner for Parliamentary Investigations; and provisions relating to salaries and allowances for Members of the House of Commons and to their financial interests and conduct; and for connected purposes. Although the Bill will primarily impact on the House of Commons: Members Estimate, there could be financial consequences for the Administration Estimate.