

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

**Resource Accounts**

**2009-10**

***(for the year ended 31 March 2010)***

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

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## Foreword to the Accounts

For the year ended 31 March 2010

### Scope of the accounts

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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 to 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

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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

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The Strategic Plan 2006-11, adopted by the House of Commons Commission, states the corporate values of the House Administration as follows:

*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.*

In support of this strategy the core values for House staff are:

#### *Integrity*

We serve the House of Commons, its committees and Members, and the public, with honesty, probity and political impartiality.

*Professionalism*

We strive for excellence, effectiveness, efficiency and accuracy, remaining always open-minded on the prospects for better ways of delivering.

*Teamwork*

We value co-operative approach, based on mutual support, trust and respect.

*Recognition*

We are committed to maximising personal development, to valuing diversity and the contribution of all individuals, and to equality of opportunity.

*Commitment*

We seek to ensure that the House of Commons is a good place to work, recognising the importance of work-life balance, and seeking to get the most out of the jobs we do.

**Core objectives**

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The Strategic Plan 2006-11, adopted by the House of Commons Commission in 2005, sets out the primary objectives to be achieved by the House Service. These formed the basis for the Core Tasks and Supporting Tasks set out in the Corporate Business Plan for 2009-10 published in March 2009. The Core Tasks were:

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 sought:

*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*

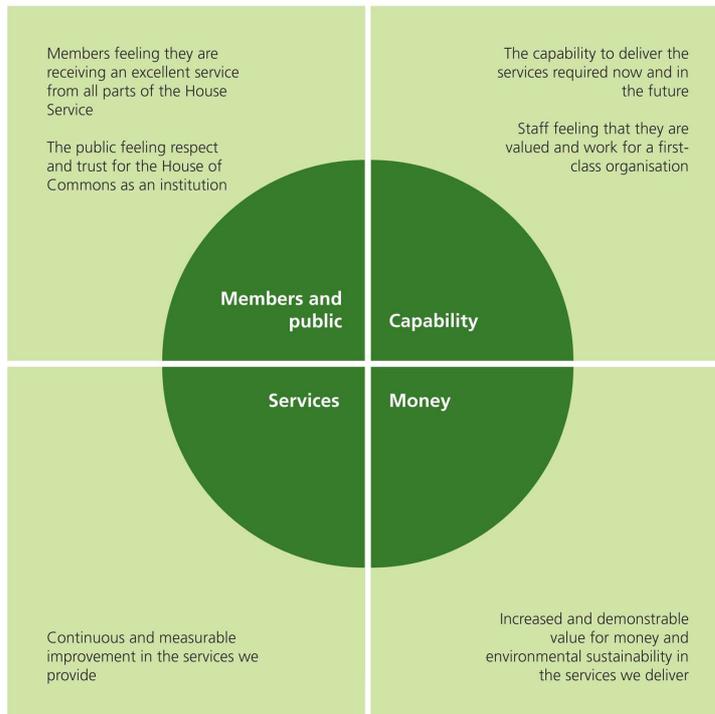
To maintain a good working relationship with the House of Lords, particularly in the provision of shared services; share information and best practice with other parliaments and assemblies, and co-operate with other organisations that can assist the House Service in its work.

The Management Board’s goals for 2009-10 were:

- 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.

During 2009-10 the Board adopted the balanced scorecard as an additional internal management tool to assist the delivery of the Corporate Business Plan. A further goal about public respect and trust for the House of Commons as an institution has been added for 2010-11.

Balanced Scorecard- corporate goals



The Strategic Plan 2006-11 has now been updated by the Management Board’s Strategy for the House of Commons Service 2010-15. Work is underway to develop a strategic plan for delivering that strategy. The balanced scorecard will be revised in line with the new strategy.

## Management

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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 office</i> )
The Rt Hon Harriet Harman QC MP	Leader of the House of Commons ( <i>by virtue of office</i> )
Alan Duncan 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:

- 22 June 2009: John Bercow MP replaced The Rt Hon Michael J Martin MP
- 17 September 2009: The Rt Hon Sir George Young Bt MP replaced Alan Duncan MP

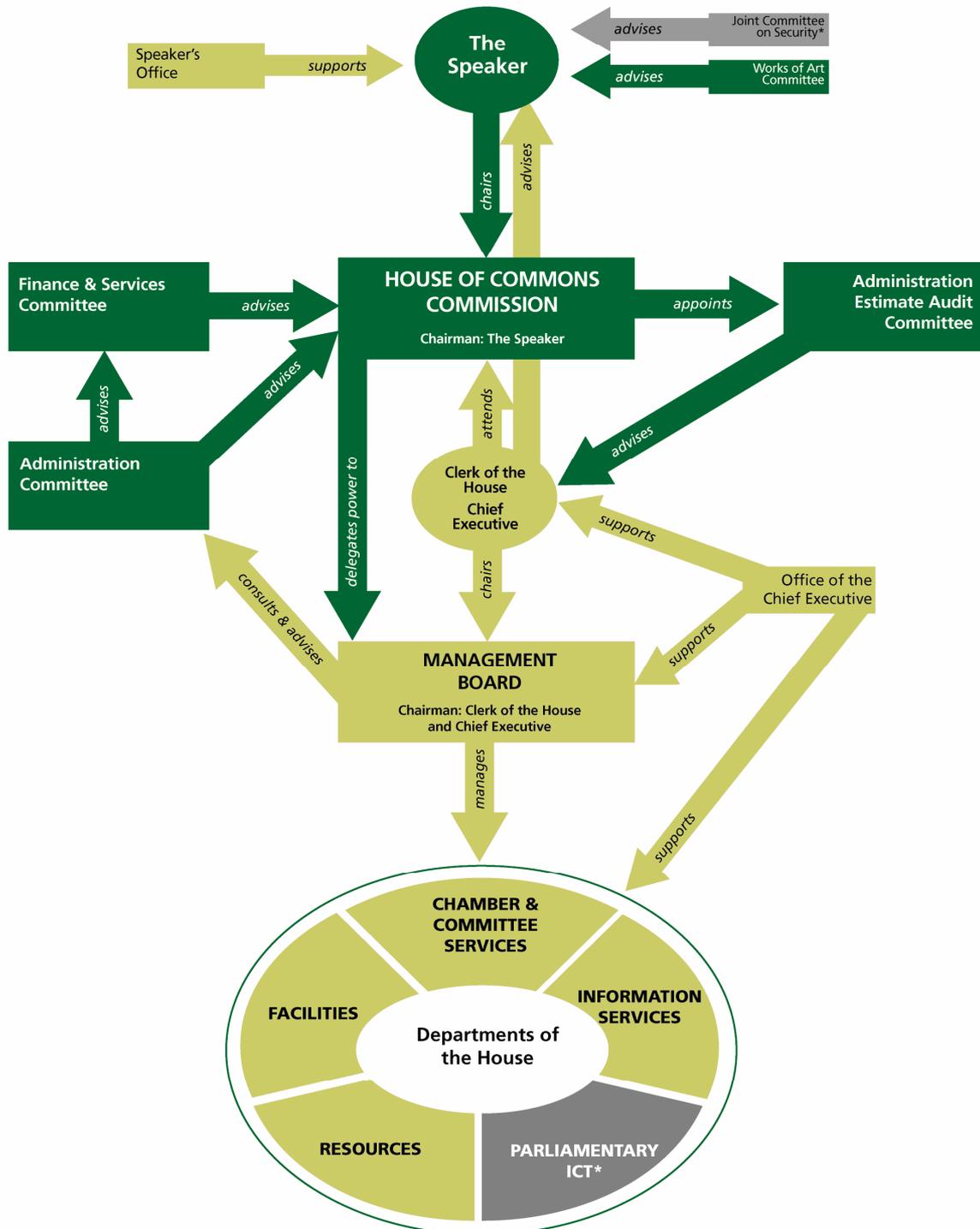
The most senior official of the House of Commons is the Clerk of the House, who is Chief Executive, Corporate Officer and Accounting Officer. The Queen formally appoints the Clerk of the House. He is assisted in his role as Chief Executive by the Management Board. At the start of the financial year, 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
Alex Jablonowski	External member

Robert Rogers joined the Management Board on 1 October 2009 following the retirement of Douglas Millar CB.

The governance structure is illustrated overleaf.

### 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 one 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

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### Resources

The 2009-10 Administration Resource Accounts have been produced using International Financial Reporting Standards (IFRS) for the first time. Shadow 2008-09 Accounts on the same basis were prepared during the summer 2009. The technical accounting adjustments which arose from the move to IFRS are set out in Note 2 to the accounts.

A resource outturn of £278.9 million was achieved against an Estimate of £298.0 million. This represents an underspend against plan of £19.1 million (6.4%) during the year.

Following movements in the property and land market over the year, a full revaluation of the parliamentary estate was undertaken by the Valuation Office Agency (VOA). At 31 March 2010 this showed a decrease from £1,173.9 million to £825.4 million, a reduction of over £348.5 million in the value of the estate. The Palace of Westminster is valued at replacement cost, after a depreciation adjustment to reflect the years of use. To estimate the rebuilding cost the Tender Price Index (TPI) is used. This has shown a significant reduction from a high of 256 in 2008 to 215 in 2010. The other freehold buildings are valued at fair value, and the values shown reflect the market value if they were to be sold. For some properties the Revaluation Reserve was insufficient to absorb the movement in valuation, requiring £40.5 million to be charged to the Operating Cost Statement. This adjustment was the major contributor to the £43.6 million increase, from £235.3 million to £278.9 million, in the overall operating cost since 2008-09. A Supplementary Estimate for £40 million was required to meet this technical accounting adjustment.

The House of Commons Staff Pension Scheme is an unfunded defined benefits scheme which provides a level of benefits broadly in line with the scheme operated by government departments. For such schemes HM Treasury set a real discount rate of 1.8% for the year, which produced an equivalent gross discount rate of 4.6% when the Treasury's price inflation assumption of 2.75% was applied. The equivalent gross discount figure at 31 March 2009 had been 6.04%. Applying the reduced gross discount rate alongside other actuarial assumptions, which remained unchanged from the previous year, created two significant movements on pensions liabilities. It reduced from £13.4 million to £11.7 million the level of benefits earned by current employees during the year. A further impact was to increase the total pension scheme liability from £327.7 million to £471.0 million at 31 March 2010, an increase of £143.3 million over the previous year. These liabilities represent the accrued service costs of both former and current employees based on actuarial assumptions which include life expectancy. They will be redeemed through the pensions payments made to former employees in future years.

Reduced expenditure arose against operational budgets and certain planned investment programmes. The main elements of underspend were salary costs of some £4.4 million, excluding elements of the pension adjustment already mentioned, given a number of posts remained vacant towards the year end as activity reduced in anticipation of the forthcoming General Election. The lower parliamentary estate value contributed to a reduction of £1.6 million in the depreciation charge and £3.6 million in the cost of capital charge – an accounting adjustment levied at 3.5% on the net value of assets held which has subsequently been abolished for 2010-11 and future years. Expenditure was lower than anticipated on Select Committee travel (around £1 million), against certain contracts and accommodation projects (£3 million), utility services (£0.7 million) and postage

costs (£0.6 million). Higher expenditure on computer maintenance, especially on research and development activity and for changes to licensing agreements, had been budgeted and resulted in a significant rise in expenditure from the level incurred in the previous year.

### **Income**

The House of Commons (Administration) Act 1978 allows relevant expenditure to be set off against income received. In 2009-10 income of £9.7million was generated and offset against the expenditure incurred. This represents an increase of £0.4million (4.2%) on 2008-09 and is primarily the result of a rise in receipts from sales.

### **Capital**

A capital outturn of £16.3 million against an Estimate of £19.5 million gave rise to an underspend of £3.2million (16.4%). This was achieved through savings achieved on the purchase of assets and against certain project expenditure.

### **Cash**

A net cash requirement of £186.3 million was achieved against an Estimate limit of £212.0 million. The underspend of £25.7 million (12.1%) includes the cash equivalent element within the resource underspend (£22.5 million) and capital underspend (£3.2 million). The £22.5 million underspend included a movement on working capital of £1.2 million, higher than anticipated cash transfers into the pension scheme of £2.6 million, with the balance representing the cash equivalent underspend against the resource underspend already identified.

### **Net Assets**

Total assets employed by the House of Commons less current liabilities decreased from £1,199.1 million to £851.6 million at the year end, a reduction of £347.5 million, largely reflecting the revaluation of the parliamentary estate.

### **Payment of Suppliers**

Over 85% of supplier invoices were paid within 30 days of being received. Performance is reported monthly and steps are being taken to improve the payment turnaround currently achieved.

The House of Commons has adopted prompt payment of small and medium size enterprises, paying invoices within 10 days or as soon as possible afterwards where this is not practical. Payments to public sector organisations do not fall under this initiative.

### **Further information**

The House of Commons Commission publishes an Annual Report reviewing the performance of the House Administration. The 32<sup>nd</sup> 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.

### **Resources Required for 2010-11**

The Parliamentary Standards Act 2009 (July 2009), as amended by the Constitutional Reform and Governance Act 2010 (April 2010), established the Independent Parliamentary Standards Authority (IPSA). This new body assumed responsibility for the payment of Members' pay and allowances from the date of the 2010 General Election. Although these costs were previously borne on the House of Commons Members Estimate, the creation of the IPSA will have an impact on the cost of certain service delivery areas worth an estimated £1.8 million in a full year.

The Commission has agreed to an Estimate with a net resource requirement of £219.0 million for 2010-11. This is £79.0 million less than the previous year, and reflects the abolition of the cost of

capital charge worth £25.5 million and the Estate revaluation adjustment £40.5 million. It further includes savings worth £12 million resources agreed by the Commission in response to the current economic conditions. Inflationary impacts are required to be absorbed within existing budgets.

The Management Board has launched a Savings Programme to identify where expenditure commitments can be reduced in future financial years without detriment to the effective delivery of parliamentary services.

### **Public interest**

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In 2009-10 the House of Commons consisted of 646 Members elected by their constituents. This number has risen to 650 Members following the 2010 General Election. The Commons is constitutionally separate from the Government. The House Administration seeks to maintain good practice in 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**

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The Comptroller and Auditor General is currently appointed under a letter of engagement 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 2010**

## Remuneration Report

For the year ended 31 March 2010

### Remuneration policy

The House of Commons Commission has delegated to the Clerk of the House responsibility for ensuring that staff complement, grading, pay and conditions of service of staff in departments are broadly in line with those of the Home Civil Service.

A new scheme was established during 2009-10 for rewarding staff performance at those grades below the Senior Commons Staff pay bands. The performance award scheme (PAS) permitted staff to be nominated for the consideration of an award during three separate periods of the year. A number of awards were allocated on the basis of the number of staff employed at each pay band within individual departments, with the nominations being adjudicated by independent panels comprised of senior managers. The funding allocated to performance related awards was restricted to a maximum of 1% of the pay bill.

The level of remuneration provided to Senior Commons Structure were overseen by a Senior Pay Panel and in line with Senior Civil Service awards based on the recommendations of the Review Body on Senior Salaries (Cm 7556).

### Salary entitlements (audited)

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

	2009-10		2008-09	
	Salary (£000)	Benefits in kind (£000)	Salary (£000)	Benefits in kind (£000)
Malcolm Jack	195-200	27	190-195	25
John Borley CB	120-125	-	115-120	-
Douglas Millar CB (retired Sep 09)	70-75 (full year equivalent 140-145)	-	155-160	-
Robert Rogers (appointed Oct 09)	65-70 (full year equivalent 135-140)	-	n/a	-
John Pullinger	120-125	-	115-120	-
Andrew Walker	120-125	-	125-130	-
Joan Miller	100-105(c)	-	105-110 (c)	-
Alex Jablonowski	20-25(d)	-	5-10 (d)	-

## Notes:

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

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

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

**Pension benefits (audited)**

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 Statement of Financial Position 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 2008-09 figures, see House of Commons Resource Accounts, HC 954):

	Accrued pension and related lump sum at 31/3/10	Real increase in pension and related lump sum at 31/3/10	CETV at 31/3/10	CETV at 31/3/09 (restated)	Real increase in CETV
	(£000)	(£000)	(£000)	(£000)	(£000)
Malcolm Jack	130 – 135 (lump sum n/a)	5.0 – 7.5 (lump sum n/a)	2,502	2,410	92
John Borley CB	5 - 10	2.5 – 5.0	76	37	32
Douglas Millar CB (retired Sep 09)	90 – 95 (lump sum n/a)	0 – 2.5 (lump sum n/a)	1,752	1,670	26
Robert Rogers (appointed Oct 09)	65 – 70 plus lump sum 190 – 195	2.5 – 5.0 plus lump sum 7.5 – 10	1,466	1,518	(47)
John Pullinger	40 – 45 plus lump sum 130 - 135	2.5 – 5.0 plus lump sum 7.5 – 10.0	816	722	46
Andrew Walker	50 – 55 plus lump sum 150 – 155	2.5 – 5.0 plus lump sum 7.5 – 10.0	1,080	964	61
Joan Miller	5 – 10 plus lump sum 0 - 5	0 – 2.5 (lump sum n/a)	161	117	35
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 or 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 2009 have been restated to reflect changes in the factors used for calculations.

(d) No employer contributions were made to partnership pensions in 2009-10.

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

**Malcolm Jack**  
**Accounting Officer**

**16 July 2010**

## 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 operating cost, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of 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 Internal Control

### Scope of responsibility

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

The activities of the House of Commons are funded by two Estimates, the House of Commons: Administration Estimate and the House of Commons: Members Estimate. The Administration Estimate focuses on the administrative costs of running the House of Commons as an institution, covering the staff costs of the House Service, the maintenance costs of the Estate, the running costs of the Chamber and associated activities, and travel costs of Members and officers undertaking parliamentary business such as select committee work. The focus of the Members Estimate is mainly on Members of Parliament as individual elected representatives. Prior to the creation of the Independent Parliamentary Standards Authority (IPSA) in May 2010 it provided for Members' remuneration, allowances and IT equipment in support of them carrying out their work effectively. I am Accounting Officer for both Estimates and account separately to the House for each. This Statement refers to the Administration Estimate.

The governance structure of the House of Commons Administration Estimate is complex and differs from that of most other public sector estimates. Whilst the House of Commons Commission is the statutory body with responsibility for the administration of the House of Commons, I have responsibility for ensuring that the House's resolutions are properly put into effect through my role as Chief Executive and Chairman of the Management Board. I am directed by the decisions of the House of Commons Commission, which in turn is advised by its associated Member Committees, including the Administration Committee and Finance and Services Committee. The structure of the House of Commons Administration is set out in the Foreword to these accounts.

I have delegated certain responsibilities to each Head of Department. These are set down and considered as part of the annual reporting system. Each Head of Department is required to provide me with an annual letter of assurance reporting on the delivery of business plans, management of risk and maintenance of internal controls within their areas of responsibility.

### Purpose of the system of internal control

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The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. 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 of the House of Commons, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently, and economically.

The system of internal control has been in place in the House of Commons for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts and is broadly in line with HM Treasury guidance.

### Capacity to handle risk

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A central risk management policy and strategy has been adopted by the Management Board, together with a set of principles and concepts which follows best practice as recommended by HM Treasury and sets out clear management roles and responsibilities for key stakeholders. PICT has adopted its own risk management policy which closely aligns to the House of Commons' policy.

This risk management guidance is available to staff on the House Intranet, supplemented by professional advice and support from the Corporate Risk Management Team within the Office of the Chief Executive. The Team are responsible for ensuring that proper systems of risk management are in place across the House Service.

Following an internal audit of risk management, a project was initiated to re-develop the House's system of risk management, to bring it into line with best practice. Following the year-end, the progress of the project was reviewed and, in the light of slippage, its scope, timescale and priorities were revised. Initially, the main focus will be on ensuring best practice in managing risks at the Management Board level, with a target delivery date of March 2011, with the following phase addressing risk management at departmental level.

### **Risk and Control framework**

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The Management Board has identified ten corporate strategic risks which are regularly reviewed in light of any changes in corporate strategy. The corporate risks have designated risk owners, all of whom are members of the Board. At departmental level, the risk identification process seeks to integrate with the departmental business planning process. Departmental risk registers are in place in all departments and continue to be developed. Regular contact between the Corporate Risk Management Team and risk owners contributes towards the implementation of a House-wide approach to managing risk. While an internal audit report since the year-end has confirmed that we still have a way to go before the benefits of good risk management are fully realised, action is underway to address the weaknesses identified.

Risk is a regular agenda item both for the Management Board and departmental management teams. At Board level, risk monitoring and reporting is a regular feature of the performance management process published in the monthly balanced scorecard. Emerging, changing or increasing risks are highlighted for the Board's attention. The development of the balanced scorecard has improved the management information available to inform the Board's decision-making. An internal audit review of the scorecard recognised the significant developments which had been achieved but raised questions about the type and completeness of the information included. An action plan is in place to re-develop the scorecard during 2010-11, in alignment with the Management Board's new Strategy for the House of Commons Service 2010-15.

All departments have mechanisms in place for reporting risks to senior departmental management and an escalation process exists to bring increasingly significant risks to the attention of the Management Board. Departments have their own risk co-ordinators – usually one of their own business managers – to co-ordinate and update their respective risk registers and to liaise with the Corporate Risk Management Team. Departmental risk co-ordinators also attend the Departmental Risk Forum which meets on a quarterly basis to discuss risk management best practice and overlapping departmental risk management issues. The aim is to ensure greater consistency in risk management across the House particularly in the identification and assessment of risk, and in setting target residual risk levels. Continued work in this area will help the Board to establish a picture of the organisation's 'risk appetite' and the ability to manage risk more pro-actively where it is evident that risks have deviated or might exceed pre-agreed tolerances.

A Resource Framework and other supporting guidance set out the procedures and controls that operate, including where financial responsibilities rest. This is currently being updated to reflect changes in management approach.

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.

A Senior Information Risk Owner (SIRO) is responsible for the policy and procedures adopted for managing sensitive information data held by the House of Commons. He is supported in this role by Departmental Information Risk Owners (DIROs) and the Information Rights Information Security (IRIS) team. The DIROs each produce an annual risk assurance statement which covers the steps taken to raise staff awareness of their responsibilities for protecting sensitive data, and the maintenance of the departmental register of sensitive information assets. The SIRO uses the evidence provide by DIROs to inform his own statement of assurance to myself, as Accounting Officer.

### Review of effectiveness

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As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the House of Commons who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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 and a third who represents the Finance and Services Committee. In addition, there are three external members who are independent. Following the 2010 General Election one of the external members has been appointed Chairman of the AEAC, a role previously taken by the Shadow Leader of the House. The Committee takes a close interest in the work of Internal Audit, with particular emphasis on promoting economy, efficiency and effectiveness, risk management and internal control. The Director General of Resources and I regularly attend the meetings of the Audit Committee.

The Internal Audit 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 Internal Audit is informed by an analysis of the risk to which the House of Commons is exposed. Annual internal audit plans, including Value for Money studies, are informed by this analysis to ensure adequate coverage of risk across the operational areas in the House of Commons.

The internal audit plans are approved by me in the light of advice from the AEAC and the Management Board. At least annually, the Director of Internal Audit provides me with an independent report 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.

The Director of Internal Audit concluded that the main systems and processes were operating effectively, but that the number and nature of his findings suggested that controls were not always fully effective and, as a consequence, the House was exposed to some degree of risk. In particular he noted the need for the House's systems of risk and performance management to be subject to sustained development, for the operation of some financial controls to be strengthened and for updated policy guidance to be provided. Whilst procurement practice had improved, in some areas it remained unacceptable. Improvements in information security had been made, but further action was still required.

Assurances from Heads of Department highlighted concerns about the quality of financial management information and procurement and the implications of issues around the Members Estimate. They also noted that information security measures had been implemented.

The NAO did not identify any significant weaknesses in internal control, although it recommended ways that the system could be strengthened, including through early review by the Audit Committee of accounting policy changes and a draft of this Statement, and through enhanced training and guidance to staff on carrying out financial procedures. An internal audit review of financial controls identified weaknesses in the operation of some controls, and it was agreed that the stricter enforcement of a

number of procedures would be implemented. The recommendations are being acted upon and the control systems strengthened. As Accounting Officer I am convinced of the importance of strengthening our systems of financial control, in the light of the challenging economic situation currently facing public sector organisations.

The Administration Estimate Audit Committee's Annual Report is included within the thirty-second Report of the House of Commons Commission. The Committee reports that it is satisfied that appropriate management actions have been identified to address shortcomings in procedures identified by internal audit, but that it has ongoing concerns about control issues within the Parliamentary Estates Directorate and is keen to see recommendations on the development of risk management implemented as soon as possible. I welcome the Committee's commitment to monitor during 2010/11 the implementation of management action plans developed to address the risks identified through audit work this year.

In the light of the assurance from Heads of Department, work carried out by Internal Audit 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.

***Malcolm Jack***  
**Accounting Officer**

**16 July 2010**

## 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 2010. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity, 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

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As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the House of Commons Administration circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the House; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### Opinion on Regularity

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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.

### Opinion on Financial Statements

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In my opinion:

- the financial statements give a true and fair view of the state of affairs of the House as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the House of Commons' Financial Reporting Manual.

**Opinion on other matters**

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In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the House of Commons' Financial Reporting Manual; and
- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

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I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance House of Commons application of best practice guidance on corporate governance, including HM Treasury's guidance.

**Report**

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I have no observations to make on these financial statements.

Amyas C E Morse

Date: 22 July 2010

**Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London  
SW1W 9SP**

## Statement of Parliamentary Supply

### Summary of Resource Outturn 2009-10

Request for Resources	Estimate			Outturn			Net Total outturn compared with Estimate: saving/(excess) <sup>1</sup>	2008-09
	Admin Costs	Grants	Net Total	Admin Costs	Grants	Net Total		Outturn
	£000	£000	£000	£000	£000	£000		£000
1 Administrative expenditure	294,254	-	294,254	275,258	-	275,258	18,996	230,585
2 Grants to other bodies	-	3,746	3,746	-	3,669	3,669	77	4,011
Total resources <sup>2</sup>	294,254	3,746	298,000	275,258	3,669	278,927	19,073	234,596
Non-operating income						-	-	(2)

### Net cash requirement 2009-10

	Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving/(excess) <sup>1</sup>	2008-09 Outturn
		£000	£000	£000	£000
		Net cash requirement	3	212,000	186,281

### 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 2009-10		Outturn 2009-10	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Total income payable to the Consolidated Fund	4	-	-	105	105

<sup>1</sup> Explanations of variances between the Estimate and Outturn are given in the Management Commentary (Page 10).

<sup>2</sup> The £234,596,000 outturn shown for 2008-09 is based on UKGAAP as previously published in the House of Commons Administration Resource Accounts (HC 954) for that year. This has not been re-stated to reflect the move to IFRS in accordance with HM Treasury guidance. The IFRS equivalent figure is £235,339,000.

**Operating Cost Statement**

for the year ended 31 March 2010

		2009-10		2008-09	
	<b>Note</b>	<b>Staff Costs</b>	<b>Other Costs</b>	<b>Income</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Administration Costs</b>					
Staff Costs	6	80,488	-	-	77,784
Other administration costs	7	-	204,515	-	162,900
Operating income	9	-	-	(9,745)	(9,356)
<b>Programme Costs</b>					
Expenditure	8	-	3,669	-	4,011
<b>Totals</b>		<b>80,488</b>	<b>208,184</b>	<b>(9,745)</b>	
<b>Net Operating Cost</b>				<b>278,927</b>	<b>235,339</b>

## Statement of Financial Position

as at 31 March 2010

		31 Mar 2010	31 Mar 2009	1 Apr 2008
	Note	£000	£000	£000
<b>Non-current assets:</b>				
Property, plant and equipment	10	855,522	1,201,913	1,157,389
Intangible assets	11	508	324	383
<b>Total non-current assets</b>		<b>856,030</b>	<b>1,202,237</b>	<b>1,157,772</b>
<b>Current assets:</b>				
Inventories	14	406	515	478
Trade and other receivables	15	10,899	9,646	9,273
Other current assets				
Cash and cash equivalents	16	4,482	5,351	4,833
<b>Total current assets</b>		<b>15,787</b>	<b>15,512</b>	<b>14,584</b>
<b>Total assets</b>		<b>871,817</b>	<b>1,217,749</b>	<b>1,172,356</b>
<b>Current liabilities</b>				
Trade and other payables	17	(20,206)	(18,647)	(16,286)
<b>Total current liabilities</b>		<b>(20,206)</b>	<b>(18,647)</b>	<b>(16,286)</b>
<b>Total assets less current liabilities</b>		<b>851,611</b>	<b>1,199,102</b>	<b>1,156,070</b>
<b>Non-current liabilities</b>				
Provisions	18a, 18b	(472,182)	(327,866)	(341,531)
<b>Total non-current liabilities</b>		<b>(472,182)</b>	<b>(327,866)</b>	<b>(341,531)</b>
<b>Assets less liabilities</b>		<b>379,429</b>	<b>871,236</b>	<b>814,539</b>
<b>Taxpayers' equity:</b>				
General fund		213,337	392,988	384,193
Revaluation reserve		162,339	474,495	426,798
House of Commons Commission reserve	16	3,389	3,389	3,284
Donated asset reserve		364	364	264
<b>Total taxpayers' equity</b>		<b>379,429</b>	<b>871,236</b>	<b>814,539</b>

**Malcolm Jack (Accounting Officer)**

**16 July 2010**

## Statement of Cash Flows

for year ended 31 March 2010

	2009-10	2008-09
Note	£000	£000
<b>Cash flows from operating activities</b>		
Net operating cost	(278,927)	(235,339)
Adjustments for non-cash transactions	6,7 112,192	80,146
(Increase)/Decrease in trade and other receivables	15 (1,253)	(373)
(Increase)/Decrease in inventories	14 109	(37)
Increase/(Decrease) in trade payables	17 1,559	2,361
<i>Less (increase)/decrease in amounts due the Consolidated Fund</i>	17 869	(413)
Use of provisions	18a,18b (4,511)	(5,817)
<b>Net cash outflow from operating activities</b>	<b>(169,962)</b>	<b>(159,472)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	10 (15,934)	(4,515)
Purchase of intangible assets	11 (385)	(69)
Proceeds of disposal of property, plant and equipment	5 -	2
<b>Net cash outflow from investing activities</b>	<b>(16,319)</b>	<b>(4,582)</b>
<b>Cash flows from financing activities</b>		
From the Consolidated Fund (Supply) – current year	185,450	164,500
Interest received on HoCC Reserve Balance	-	105
<b>Net financing</b>	<b>185,450</b>	<b>164,605</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>	<b>(831)</b>	<b>551</b>
Receipts due to the Consolidated Fund which are outside the scope of the House of Commons' activities	4 105	278
Payments of amounts due to the Consolidated Fund	(143)	(311)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	<b>(869)</b>	<b>518</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>5,351</b>	<b>4,833</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4,482</b>	<b>5,351</b>

**Statement of Changes in Taxpayers' Equity**

for the year ended 31 March 2010

	Note	General Fund	Revaluation Reserve	Commission Reserve	Donated Asset Reserve	Total Reserves
		£000	£000	£000	£000	£000
<b>Balance at 31 March 2008 (UK GAAP)</b>		<b>385,390</b>	<b>426,798</b>	<b>3,284</b>	<b>264</b>	<b>815,736</b>
Changes in accounting policy		(1,197)	-	-	-	(1,197)
<b>Restated balance as at 31 March 2008</b>		<b>384,193</b>	<b>426,798</b>	<b>3,284</b>	<b>264</b>	<b>814,539</b>
<b>Changes in taxpayers' equity for 2008-09</b>						
Net gain/(loss) on revaluation of property, plant and equipment	10	-	58,252	-	-	58,252
Receipts during the year		-	-	105	100	205
Net gain/(loss) on pension liabilities due to changes in actuarial assumptions	18	39,900	-	-	-	39,900
Non-cash charges – cost of capital	7	29,512	-	-	-	29,512
Non-cash charges – auditor's remuneration	7	113	-	-	-	113
Transfers between reserves		10,555	(10,555)	-	-	-
Net operating cost for the year		(235,339)	-	-	-	(235,339)
<b>Total recognised income and expense for 2008-09</b>		<b>(155,259)</b>	<b>47,697</b>	<b>105</b>	<b>100</b>	<b>(107,357)</b>
Net Parliamentary Funding – drawn down		164,500	-	-	-	164,500
Net Parliamentary Funding – deemed	17	1,373	-	-	-	1,373
Supply payable/(receivable) adjustment	17	(1,819)	-	-	-	(1,819)
<b>Balance at 31 March 2009 (IFRS)</b>		<b>392,988</b>	<b>474,495</b>	<b>3,389</b>	<b>364</b>	<b>871,236</b>
<b>Changes in taxpayers' equity for 2009-10</b>						
Net gain/(loss) on revaluation of property, plant and equipment	10	-	(305,771)	-	-	(305,711)
Receipts during the year		-	-	-	-	-
Net gain/(loss) on pension liabilities due to changes in actuarial assumptions	18	(115,400)	-	-	-	(115,400)
Non-cash charges – cost of capital	7	21,895	-	-	-	21,895
Non-cash charges – auditor's remuneration	7	115	-	-	-	115
Transfers between reserves		6,385	(6,385)	-	-	-
Net operating cost for the year		(278,927)	-	-	-	(278,927)
<b>Total recognised income and expense for 2009-10</b>		<b>(365,932)</b>	<b>(312,156)</b>	<b>-</b>	<b>-</b>	<b>(678,088)</b>
Net Parliamentary Funding – drawn down		185,450	-	-	-	185,450
Net Parliamentary Funding – deemed	17	1,819	-	-	-	1,819
Supply payable/(receivable) adjustment	17	(988)	-	-	-	(988)
<b>Balance at 31 March 2010 (IFRS)</b>		<b>213,337</b>	<b>162,339</b>	<b>3,389</b>	<b>364</b>	<b>379,429</b>

## Notes to the Resource Accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-10 *House of Commons Financial Reporting Manual (FReM)*. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the House of Commons context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the House of Commons (HoC) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the HoC are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the House to prepare an additional primary statement. 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 Accounting convention

These accounts have been prepared under the historical cost accounting convention modified to account for the revaluation of property. Other non current assets are not generally revalued unless the adjustments are material.

#### 1.2 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 the 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 2009-10).

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.

#### 1.3 Property, plant and equipment

##### *Property*

In accordance with IAS 16, property assets (excluding the Palace of Westminster and special adaptations of Portcullis House) are valued at fair value using a method determined by the Valuation Office Agency (VOA). The Palace of Westminster and special adaptations of Portcullis House are valued at depreciated replacement cost due to their specialised nature.

All property is subject to a full professional valuation at least every five years. Annual interim reviews are undertaken to ensure that asset values remain in line with their fair value.

Revaluation losses are taken first to reserves and then to the operating cost statement for any loss in excess of previous revaluation gains.

##### *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 whole of the parliamentary estate was re-valued by the VOA as at 31 March 2010.

### ***Long leasehold***

A property, 102 Rochester Row, is held on a long leasehold and valued at fair value by the VOA.

### ***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.

In accordance with IAS 40 investment property is valued at fair value and not depreciated. A full VOA valuation is carried out at least every five years, with an annual interim review to ensure that asset values are in line with their fair value.

There is a restriction on Abingdon Street car park, its use is restricted to that of an underground car park with public garden at ground level.

### ***Equipment***

In accordance with IAS 16 computers, furniture and other equipment are recognised at depreciated historic cost due to short life and / or low value. Although our capitalisation threshold is £1,000, desktop computers, monitors and printers below £1,000 are considered to be assets and therefore are capitalised.

### ***Antique furniture***

The antique furniture was professionally revalued at February 2010. Each year the Furniture Manager in the Parliamentary Estates Directorate carries out an internal review to assess if any material revaluation adjustment is required. Due to the importance of this collection, all assets have been capitalised regardless of their individual value.

### ***Speaker's silver***

The Speaker's silver is normally revalued 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 revalued in February 2010. This collection is also considered to be of national importance, consequently all assets are capitalised regardless of their individual values.

### ***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 revalued.

## **1.4 Donated assets**

Donated assets are capitalised at fair value with the credit entry made to the donated asset 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 1.6).

## **1.5 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 FReM, the value of the parliamentary art collection as at 31 March 2000 is not included on the Statement of Financial Position as it is not deemed practical to do so. 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 FReM, parliamentary archives are non-operational heritage assets and are not included on the Statement of Financial Position as it is not deemed practical to do so.

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 FReM, the value of the antiquarian books held at 31 March 2000 is not included on the Statement of Financial Position as it is not deemed practical to do so. 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 FReM it has not been valued because a reliable estimate of its free market value could not be obtained.

## **1.6 Depreciation**

Depreciation is charged to expenditure on the historic value or, for buildings, the revalued 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 also for plant, equipment and intangible 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 IAS 16) 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 property, plant and equipment are in the following ranges:

<b>Property:</b>	<b>Years</b>
Land	not applicable
Palace of Westminster	85
Freehold property (excluding Portcullis House)	20-35
Portcullis House	50-75
Leasehold property	14-20
 <b>Plant and equipment:</b>	
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

### 1.7 Intangible assets

Intangible non current 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 Inventories

Inventories 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 expenditure

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 income and expenditure. 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 the average carrying amount on all assets less liabilities, except for:

(a) property, plant and equipment and intangible assets where the cost of capital charge is based on opening values adjusted pro rata for in-year:

- Additions at cost
- Disposals as valued in the opening Statement of Financial Position (plus any subsequent capital expenditure prior to disposal)
- Impairments at the amount of the reduction of the opening Statement of Financial Position value (plus any subsequent capital expenditure)
- Depreciation of property, plant and equipment and amortisation of intangible assets

(b) donated assets and cash balances with the Office of the Paymaster General, where the charge is nil;

(c) additions to heritage collections (e.g. works of art, archives, antiquarian books) are also exempt from the capital charge.

The adoption of capital charges will cease from 2010-11.

### 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

Past and present 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). The defined benefit schemes are unfunded and non-contributory except in respect of dependants' benefits. The House recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the HOCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the HOCSPS. In respect of the defined contribution schemes, the House recognises the contributions payable for the year. There are five pension schemes, which are available according to when employees commenced service in the House (see note 6).

### 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

In accordance with IAS17, leases are capitalised only when substantially all risks and rewards of ownership are transferred to the lessee.

### 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 valued in accordance with the accounting standard IAS 26 for 2009-10.

**1.20 Contingent liabilities**

In addition to contingent liabilities disclosed in accordance with IAS 37, the House discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the HM Treasury publication Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

**1.21 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.

**1.22 Third party assets**

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

**1.23 Segmental Reporting**

International Financial Reporting Standard, Operating Segments (IFRS 8), is only applicable to the House at the highest level. As such no further analysis is required.

**1.24 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. First-time adoption of IFRS**

	General Fund £000	Revaluation reserve £000	HoC Commission reserve £000	Donated Asset reserve £000
Taxpayers' equity at 31 March 2009 under UK GAAP	391,554	477,925	3,389	364
Adjustments for:				
<i>Accrual for untaken leave</i>	(1,996)			
<i>Revaluation adjustment (Investment properties)</i>	3,430	(3,430)		
Taxpayers' equity at 1 April 2009 under IFRS	392,988	474,495	3,389	364
				<b>£000</b>
Net operating cost for 2008-09 under UK GAAP				234,596
Adjustments for:				
<i>Staff cost</i>				799
<i>Capital charge</i>				(56)
Net operating cost for 2008-09 under IFRS				235,339

No cash equivalents were held in addition to the cash balances of £5,350,531 reported under UKGAAP at 31 March 2009.

### 3. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with estimate: saving/(excess) £000	2008-09 Outturn £000
<b>Resource Outturn</b>		<b>298,000</b>	<b>278,927</b>	<b>19,073</b>	<b>235,339</b>
<b>Capital</b>					
Acquisition of property, plant and equipment	10,11	19,500	16,319	3,181	4,584
<b>Non operating Income</b>					
Proceeds of asset disposals	5	-	-	-	(2)
<b>Accruals adjustments</b>					
Non-cash items – other administration costs	7	(100,902)	(100,534)	(368)	(66,746)
Non-cash items – staff costs	6	(12,798)	(11,658)	(1,140)	(13,400)
Changes in working capital other than cash		100	(1,284)	1,384	(1,538)
Use of provision	18a,18b	8,100	4,511	3,589	5,817
<b>Net Cash Requirement</b>		<b>212,000</b>	<b>186,281</b>	<b>25,719</b>	<b>164,054</b>

### 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 2009-10		Outturn 2009-10	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
	£000	£000	£000	£000
Excess cash surrenderable to the Consolidated Fund	-	-	105	105

### 5. Non-Operating income – Excess appropriations in aid

	2009-10 £000	2008-09 £000
Proceeds on disposal of property, plant and equipment	-	2

## 6. Staff numbers and related costs

Staff costs comprise:

	2009-10	2008-09
	£000	£000
Wages and salaries	59,359	55,762
Social security costs	4,772	4,363
Other pension costs (non-cash)	11,658	13,400
Contributions to stakeholder pensions	98	72
<b>Sub Total</b>	<b>75,887</b>	<b>73,597</b>
Inward secondments/agency staff	5,292	5,034
<b>Sub Total</b>	<b>81,179</b>	<b>78,631</b>
Less recoveries in respect of outward secondments	(691)	(847)
<b>Total net costs</b>	<b>80,488</b>	<b>77,784</b>

For 2009-10 contributions of £11,658,000 were payable to the HOCSPS (2008-09 £13,400,000) 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 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 revalued 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.

Six persons retired early on ill health grounds during 2009-10 (2008-09: 5 persons); the total additional accrued pension liabilities in the year amounted to £396,000 (2008-09: £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:

	<b>2009-10</b>	<b>2008-09</b>
Average Number ( <i>permanent staff</i> )	1,839	1,748
Average Number ( <i>agency staff</i> )	37	24

Additional staff were engaged on PICT and departmental development programmes, the review undertaken on Members' allowances, outreach services and recruiting to fill long-term vacancies in the Craft Team (Department of Facilities).

## 7. Other Administration Costs

	Note	2009-10		2008-09	
		£000	£000	£000	£000
<b>Rentals under operating leases</b>					
Buildings rental		10,733		10,720	
Other rental		518		513	
<b>Subtotal</b>			<b>11,251</b>		<b>11,233</b>
<b>Non-cash items</b>					
Depreciation and amortisation of assets:					
Property, plant and equipment	10	16,208		18,240	
Intangible assets	11	177		128	
(Profit)/loss on disposal of property, plant and equipment	10,11	30		1	
Loss on revaluation of property, plant and equipment	10	40,504		164	
Gain on revaluation of property, plant and equipment	10	(164)		(64)	
Cost of capital charges		21,895		29,512	
Auditors' remuneration and expenses:					
Audit Fee		115		101	
IFRS dry run		-		12	
Interest cost	18a	20,000		18,400	
Provision provided in year	18b	1,754		248	
Unwinding of discount on provisions	18b	15		4	
<b>Total non-cash items</b>			<b>100,534</b>		<b>66,746</b>
<b>Cash Items</b>					
Security		21,679		20,693	
Accommodation services		20,717		19,782	
Information		15,750		14,623	
Computer maintenance		8,490		5,833	
Communications		6,642		6,642	
Finance and specialist services		6,618		5,315	
Catering and other supplies		4,328		4,045	
Travel and subsistence		4,108		3,881	
Other staff costs		2,823		2,526	
Office supplies		1,333		1,329	
Broadcasting		242		252	
			<b>92,730</b>		<b>84,921</b>
<b>Grand Total</b>			<b>204,515</b>		<b>162,900</b>

**8. Programme Costs**

	<b>2009-10</b>	<b>2008-09</b>
	<b>£000</b>	<b>£000</b>
<b>Grant-in-aid payable:</b>		
History of Parliament Trust	1,179	1,408
Commonwealth Parliamentary Association (UK Branch)	1,364	1,324
Inter Parliamentary Union (British Group)	913	1,056
British Irish Parliamentary Assembly	130	143
British American Parliamentary Group	77	74
Association of Former Members of Parliament	6	6
	<b>3,669</b>	<b>4,011</b>

**9. Operating Income**

	<b>2009-10</b>	<b>2008-09</b>
	<b>Income included in operating cost statement</b>	<b>Income included in operating cost statement</b>
	<b>£000</b>	<b>£000</b>
Receipts from sales	9,247	8,899
Rental receipts and associated charges	474	415
Other receipts	7	31
Fees on private bills	17	9
Interest receivable	-	2
	<b>9,745</b>	<b>9,356</b>

## 10. Property, plant and equipment

2009-10

	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
<b>Cost or valuation</b>								
As at 1 April 2009	1,897,848	15,345	1,870	1,395	2,735	25,208	-	1,944,401
Additions	12,494	362	-	79	-	2,999	-	15,934
Donations	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(4)	(445)	-	(449)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations <sup>1</sup>	(554,105)	2,600	668	-	-	-	-	(550,837)
<b>At 31 March 2010</b>	<b>1,356,237</b>	<b>18,307</b>	<b>2,538</b>	<b>1,474</b>	<b>2,731</b>	<b>27,762</b>	-	<b>1,409,049</b>
<b>Depreciation</b>								
At 1 April 2009	723,970	2,406	-	-	269	15,843	-	742,488
Charge in the year	11,583	452	-	-	135	4,038	-	16,208
Disposals	-	-	-	-	(4)	(439)	-	(443)
Revaluations	(204,726)	-	-	-	-	-	-	(204,726)
<b>At 31 March 2010</b>	<b>530,827</b>	<b>2,858</b>	-	-	<b>400</b>	<b>19,442</b>	-	<b>553,527</b>
<b>Net Book Value 31/03/10</b>	<b>825,410</b>	<b>15,449</b>	<b>2,538</b>	<b>1,474</b>	<b>2,331</b>	<b>8,320</b>	-	<b>855,522</b>
Net Book Value 31/03/09	1,173,878	12,939	1,870	1,395	2,466	9,365	-	1,201,913

## 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	£000	£000
<b>Cost or Valuation</b>								
At 1 April 2009	173,823	181	1,710,926	272	1,688	10,958	-	1,897,848
Additions	-	-	11,092	-	1,402	-	-	12,494
Donations	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Revaluations	(78,933)	116	(472,931)	(39)	-	(2,318)	-	(554,105)
<b>At 31 March 2010</b>	<b>94,890</b>	<b>297</b>	<b>1,249,087</b>	<b>233</b>	<b>3,090</b>	<b>8,640</b>	-	<b>1,356,237</b>
<b>Depreciation</b>								
At 1 April 2009	-	-	723,513	14	443	-	-	723,970
Charge in the year	-	-	11,376	6	201	-	-	11,583
Disposals	-	-	-	-	-	-	-	-
Revaluations	-	-	(204,706)	(20)	-	-	-	(204,726)
<b>At 31 March 2010</b>	-	-	<b>530,183</b>	-	<b>644</b>	-	-	<b>530,827</b>
<b>Net Book Value 31/03/10</b>	<b>94,890</b>	<b>297</b>	<b>718,904</b>	<b>233</b>	<b>2,446</b>	<b>8,640</b>	-	<b>825,410</b>
Net Book Value 31/03/09	173,823	181	987,413	258	1,245	10,958	-	1,173,878

<sup>1</sup> Figure of £550,837,000 relates to £555,253,000 of revaluation losses less £4,416,000 of revaluation gains.

£4,252,000 of the revaluation gain has been credited to the Revaluation Reserve, the remaining £164,000 previous gains charged to the operating cost.

£40,504,000 of the revaluation loss has been charged to the operating cost, the remaining £514,749,000 offsets previous gains on the Revaluation Reserve.

Land and Buildings were valued in December 2009 by Peter Snow, BSc. FRICS of Valuation Office Agency. Antique Furniture and Speakers Silver were valued in February 2010 by Paul Davidson MRICS of Bonhams.

## 2008-09

	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
<b>Cost or valuation</b>								
As 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
Donations <sup>3</sup>	-	-	-	100	-	-	-	100
Disposals	-	-	-	-	-	(4,648)	-	(4,648)
Reclassifications	-	-	-	-	-	234	(234)	-
Revaluations <sup>2</sup>	103,274	-	-	-	-	-	-	103,274
<b>At 31 March 2009</b>	<b>1,897,848</b>	<b>15,345</b>	<b>1,870</b>	<b>1,395</b>	<b>2,735</b>	<b>25,208</b>	<b>-</b>	<b>1,944,401</b>
<b>Depreciation</b>								
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	-	-	-	-	-	(4,645)	-	(4,645)
Revaluations	45,122	-	-	-	-	-	-	45,122
<b>At 31 March 2009</b>	<b>723,970</b>	<b>2,406</b>	<b>-</b>	<b>-</b>	<b>269</b>	<b>15,843</b>	<b>-</b>	<b>742,488</b>
<b>Net Book Value 31/03/09</b>	<b>1,173,878</b>	<b>12,939</b>	<b>1,870</b>	<b>1,395</b>	<b>2,466</b>	<b>9,365</b>	<b>-</b>	<b>1,201,913</b>
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	Freehold	Long leasehold		
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1 April 2008	167,790	180	1,611,609	270	1,262	10,890	-	1,792,001
Additions	-	-	2,147	-	426	-	-	2,573
Disposals	-	-	-	-	-	-	-	-
Revaluation	6,033	1	97,170	2	-	68	-	103,274
<b>At 31 March 2009</b>	<b>173,823</b>	<b>181</b>	<b>1,710,926</b>	<b>272</b>	<b>1,688</b>	<b>10,958</b>	<b>-</b>	<b>1,897,848</b>
<b>Depreciation</b>								
At 1 April 2008	-	-	664,370	-	344	-	-	664,714
Charge in the year	-	-	14,021	14	99	-	-	14,134
Disposals	-	-	-	-	-	-	-	-
Revaluations	-	-	45,122	-	-	-	-	45,122
<b>At 31 March 2009</b>	<b>-</b>	<b>-</b>	<b>723,513</b>	<b>14</b>	<b>443</b>	<b>-</b>	<b>-</b>	<b>723,970</b>
<b>Net Book Value 31/03/09</b>	<b>173,823</b>	<b>181</b>	<b>987,413</b>	<b>258</b>	<b>1,245</b>	<b>10,958</b>	<b>-</b>	<b>1,173,878</b>
Net Book Value 31/03/08	167,790	180	947,239	270	918	10,890	-	1,127,287

<sup>2</sup> Figure of £103,274,000 relates to £103,438,000 of revaluation gains less £164,000 of revaluation losses.

£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.

£164,000 of the revaluation loss has been charged to the operating cost.

<sup>3</sup> Private collection of 230 political commemoratives worth £100,000 donated by the family of Jeremy Willoughby OBE.

## Land and Buildings analysed by Net Book Value

Analysed by individual land, buildings and investment property

	31 March 2010			
	Land £000	Buildings £000	Investment £000	Total £000
Palace of Westminster <sup>1</sup>	60,000	458,726	-	518,726
Portcullis House	15,875	194,982	-	210,857
Norman Shaw South	3,043	9,127	-	12,170
1 Parliament Street	4,655	13,965	-	18,620
Norman Shaw North	4,250	12,750	-	17,000
1 Derby Gate	2,390	7,170	-	9,560
1 Canon Row	1,535	4,605	-	6,140
Visitors Reception building	-	6,535	-	6,535
53 Parliament Street <sup>2</sup>	-	5,426	-	5,426
Abingdon St Car Park	-	-	4,000	4,000
Units A, B & C Portcullis House	-	-	3,470	3,470
3 Parliament Street	909	1,811	-	2,720
2 Parliament Street	857	1,423	-	2,280
4 Canon Row	763	1,087	-	1,850
2 Canon Row	405	905	-	1,310
11 Bridge Street	-	-	1,170	1,170
Improvements to leasehold buildings	-	2,446	-	2,446
22 John Islip Street	208	392	-	600
102 Rochester Row	297	233	-	530
<b>NBV at 31 March 2010</b>	<b>95,187</b>	<b>721,583</b>	<b>8,640</b>	<b>825,410</b>

<sup>1</sup>The total value of the Palace at 31 March 2010 was £864,543,726 (House of Commons' share £518,726,236).<sup>2</sup> 53 Parliament Street was purchased towards the end of the financial year.

	1 April 2009			
	Land £000	Buildings £000	Investment £000	Total £000
Palace of Westminster <sup>1</sup>	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	7,896	-	13,370
1 Canon Row	3,171	5,818	-	8,989
Visitors Reception building	-	5,677	-	5,677
Abingdon St Car Park	-	-	5,388	5,388
Units A, B & C Portcullis House	-	-	4,136	4,136
3 Parliament Street	1,408	2,049	-	3,457
2 Parliament Street	1,107	1,612	-	2,719
4 Canon Row	845	1,231	-	2,076
2 Canon Row	704	1,026	-	1,730
11 Bridge Street	-	-	1,434	1,434
Improvements to leasehold buildings	-	1,244	-	1,244
22 John Islip Street	247	439	-	686
102 Rochester Row	181	258	-	439
<b>NBV at 1 April 2009</b>	<b>174,004</b>	<b>988,916</b>	<b>10,958</b>	<b>1,173,878</b>

<sup>1</sup> The total value of the Palace at 1 April 2009 was £1,239,817,852 (House of Commons' share £743,890,711).

	1 April 2008			Total £000
	Land £000	Buildings £000	Investment £000	
Palace of Westminster <sup>1</sup>	96,000	610,799	-	706,799
Portcullis House	35,000	269,010	-	304,010
Norman Shaw South	5,460	10,140	-	15,600
1 Parliament Street	9,740	14,610	-	24,350
Norman Shaw North	8,715	16,185	-	24,900
1 Derby Gate	5,440	8,160	-	13,600
1 Canon Row	3,150	5,850	-	9,000
Abingdon St Car Park	-	5,970	-	5,970
Visitors Reception building	-	-	5,355	5,355
Units A, B & C Portcullis House	-	-	4,110	4,110
3 Parliament Street	1,400	2,100	-	3,500
2 Parliament Street	1,100	1,650	-	2,750
4 Canon Row	840	1,260	-	2,100
2 Canon Row	700	1,050	-	1,750
11 Bridge Street	-	-	1,425	1,425
Improvements to leasehold buildings	-	918	-	918
22 John Islip Street	245	455	-	700
102 Rochester Row	180	270	-	450
<b>NBV at 1 April 2008</b>	<b>167,970</b>	<b>948,427</b>	<b>10,890</b>	<b>1,127,287</b>

<sup>1</sup> The total value of the Palace at 1 April 2008 was £1,177,998,386 (House of Commons' share £706,799,032).

### The Great Clock

The clock was last valued as at 31 March 2006 using appropriate indices from Historic Table 4 of the Office for 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 assets

The House's intangible assets comprise purchased software licences.

	2009-10	2008-09
	£000	£000
<b>Cost or valuation</b>		
At 1 April	602	1,362
Additions	385	69
Disposals	(129)	(829)
<b>At 31 March</b>	<b>858</b>	<b>602</b>
<b>Amortisation</b>		
At 1 April	278	979
Charged in year	177	128
Disposals	(105)	(829)

At 31 March	<u>350</u>	<u>278</u>
Closing Net book value	<u>508</u>	<u>324</u>
Opening Net book value	<u>324</u>	<u>383</u>

## 12. Financial instruments

As the cash requirements of the House are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for 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 2010.

	Note	Book Value	Fair Value
		<u>£000</u>	<u>£000</u>
Primary financial instruments			
<b>Financial assets</b>			
Cash and cash equivalents	16	4,482	4,482
Trade and other receivables	15	5,535	5,535
<b>Financial liabilities</b>			
Trade and other payables	17	19,113	19,113
Early Departures	18b	1,066	1,066

## 13. Revaluation

The revaluation exercise for the Parliamentary Estate during the financial year resulted in a £40,504,000 revaluation loss being charged to the Operating Cost Statement, with the remaining £514,749,000 offsetting previous gains on the Revaluation Reserve.

**14. Inventories**

	<b>31 Mar 2010</b>	<b>31 Mar 2009</b>	<b>1 Apr 2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Catering	284	322	289
Raw materials and Store equipment	56	59	53
Other	66	134	136
	<b>406</b>	<b>515</b>	<b>478</b>

**15. Trade receivables and other current assets**

	<b>31 Mar 2010</b>	<b>31 Mar 2009</b>	<b>1 Apr 2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>			
Trade receivables	2,936	2,689	1,839
Deposits and advances	658	711	603
VAT and other taxes	1,937	1,225	1,810
Other receivables	4	2	90
Prepayments and accrued income	5,364	5,019	4,931
	<b>10,899</b>	<b>9,646</b>	<b>9,273</b>

There are no amounts due to be received after one year

**16. Cash and cash equivalents**

		<b>£000</b>
Balance at 1 Apr 2008		4,833
Net change in cash and cash equivalent balances		518
Balance at 31 Mar 2009		5,351
Net change in cash and cash equivalent balances		(869)
<b>Balance at 31 Mar 2010</b>		<b>4,482</b>
	<b>31 Mar 2010</b>	<b>31 Mar 2009</b>
	<b>£000</b>	<b>£000</b>
The following balances at 31 March were held at:		<b>1 Apr 2008</b>
		<b>£000</b>
Government Banking Service	931	1,241
Commercial banks and cash in hand	162	308
House of Commons Commission Reserve account	3,389	3,284
<b>Balance at 31 March</b>	<b>4,482</b>	<b>4,833</b>

**17. Trade payables and other current liabilities**

	<b>31 Mar 2010</b>	<b>31 Mar 2009</b>	<b>1 Apr 2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>			
Other taxation and social security	1,865	1,776	1,616
Trade payables – current	2,465	1,528	2,217
Capital - accruals	1,336	1,389	904
Members	7	8	4
Other payables	2,478	1,491	1,365
Accruals and deferred income	10,962	10,493	8,631
	<b>19,113</b>	<b>16,685</b>	<b>14,737</b>
Amounts issued from the Consolidated Fund for supply but not spent at year end	988	1,819	1,373
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	105	143	176
	<b>20,206</b>	<b>18,647</b>	<b>16,286</b>
There are no amounts due to be paid after one year			

**18. Provisions for liabilities and charges****18(a) Pensions**

The House of Commons Staff Pension Scheme (HOCSPS) is valued under IAS26.

	<b>2009-10</b>	<b>2008-09</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	327,664	341,347
Current service cost <sup>2</sup>		
Employers	11,658	13,400
Employees <sup>1</sup>	2,056	1,615
Past Service costs	-	-
(Gains)/loss due to changes in assumptions underlying present value of the scheme liabilities – discount rate	115,400	(39,900)
Interest cost <sup>3</sup>	20,000	18,400
Benefits paid <sup>1</sup>	(8,364)	(9,126)
Transfers in /less transfers out <sup>1</sup>	2,603	1,928
<b>Balance at 31 March</b>	<b>471,017</b>	<b>327,664</b>

<sup>1</sup>Provision used in year was £3,705,000 (£8,364,000 less £2,056,000 and £2,603,000).

<sup>2</sup>The current service cost represents the increase in the value of pension scheme future liabilities arising from the benefits earned by employees during 2009-10. The pension scheme is unfunded except for employee contributions towards additional pension rights and partner pension benefits.

<sup>3</sup>The Interest cost represents an accounting adjustment based on the discount rate (6.04%) applied to the previous year's liability (£327.7 million).

An actuarial valuation of the scheme's liabilities was carried out at during 2009-10. The major assumptions used by the actuary were:

	at 31 Mar 2010	at 31 Mar 2009
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	4.6%	6.04%

By agreement between the House of Commons and the House of Lords, the whole cost of the pension provision for staff (PICT excluded) within shared services falls on the House of Commons. The remaining shared service belongs to the House and is not material.

#### History of Actuarial Gains and Losses

	2009-10	2008-09	2007-08	2006-07	2005-06
	£000	£000	£000	£000	£000
<b>Total Actuarial (Gain)/Loss</b>					
Amount	115,400	(39,900)	(22,000)	63,100	30,500
As a percentage of the present value of the scheme liabilities at 31 March	24.5%	12.2%	6.4%	18.7%	12.0%

#### 18(b) Early departure costs, legal and other claims

	Early Departure Costs	Legal/Other Claims	Total
	£000	£000	£000
<b>Balance at 1 April 2008</b>	<b>68</b>	<b>116</b>	<b>184</b>
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
Provided in the year	1,655	99	1,754
Provisions utilised in the year	(726)	(80)	(806)
Unwinding of discount	15	-	15
<b>Balance at 31 March 2010</b>	<b>1,066</b>	<b>99</b>	<b>1,165</b>

#### 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 1.8% 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 £80,000 raised in 2008-09 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 21.

#### Other claims

A creditor is currently in administration and the liquidators are due to give their final report in October 2010.

**19. Capital commitments**

	<u>31 Mar 2010</u>	<u>31 Mar 2009</u>	<u>1 Apr 2008</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Contracted capital commitments not otherwise included in these financial statements for property, plant and equipment.	1,171	2,253	2,347

**20. Commitments under leases***20.1 Operating leases*

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	<u>31 Mar 2010</u>	<u>31 Mar 2009</u>	<u>1 Apr 2008</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Obligations under operating leases comprise:</b>			
<b>Buildings</b>			
Not later than one year	10,933	10,817	12,710
Later than one year and not later than five years	43,731	43,269	50,839
Later than five years	137,470	146,917	183,128
<b>Total</b>	<b>192,134</b>	<b>201,003</b>	<b>246,677</b>
<b>Other</b>			
Not later than one year	88	343	553
Later than one year and not later than five years	283	405	383
Later than five years	-	-	-
<b>Total</b>	<b>371</b>	<b>748</b>	<b>936</b>

*20.2 Finance leases*

There were no significant finance leases held during 2009-10 (2008-09 £nil, 2007-08 £nil).

**21. Contingent liabilities disclosed under IAS 37**

The House of Commons has the following contingent liabilities:

	<u>At</u>	<u>Increase in</u>	<u>Liabilities</u>	<u>Obligation</u>	<u>At</u>
	<u>1 April 2009</u>	<u>year</u>	<u>crystallised</u>	<u>expired in</u>	<u>31 March 2010</u>
	<u>£000</u>	<u>£000</u>	<u>in year</u>	<u>year</u>	<u>£000</u>
Personal injuries claims	140	35	(80)	(29)	66
Works of Art on loan from various collections	6,398	1,012	(273)	-	7,137

**22. Losses and special payments****22(a) Losses Statement**

	<u>2009-10</u>	<u>2008-09</u>
	<u>£000</u>	<u>£000</u>
Total – 73 cases (2008-09: 82 cases)	334	10

**22(b) Special Payments**

There were no special payments in 2009-10 that require separate disclosure (2008-09: £nil).

**23. Related-party transactions**

As Members of Parliament, any related party transactions of Commission Members should be recorded in the register of Members interest.

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 major shared services are as follows and there are a number of other minor shared services as well. The percentage for each House for the key shared services is as follows:

	<b>House of Commons</b>	<b>House of Lords</b>
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 £34,811,000 on behalf of the House of Lords during 2009-10. The balance as at 31 March 2010 relating to accommodation, works and other shared services owed to the House of Commons by the House of Lords was £547,000.

The House of Lords incurred expenditure of £501,000 on behalf of the House of Commons during 2009-10. The balance as at 31 March 2010 owed to the House of Lords by the House of Commons was £35,000.

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 £174,000 on behalf of the BIPA in 2009-10. At the year end, no balance was due from BIPA in respect of 2009-10 expenditure. 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.

## 24. Third-party assets

The House of Commons holds the following third party assets in a public bank account. These are not the House's assets and are not included in the accounts. The assets held at the reporting period date to which it was practical to ascribe monetary assets, such as bank balances. They are set out in the table immediately below.

	31 March 2009	Gross inflows	Gross outflows	31 March 2010
	£000	£000	£000	£000
Gratuities and service charges	44	389	(385)	48

## 25. Entities within the departmental boundary

The entities within the boundary during 2009-10 were as follows:

PICT, the Parliamentary Information and Communication Technology Department, was established under the Parliament (Joint Departments) Act 2007 and is managed jointly by the Clerks as Corporate Officers of each House. Both Clerks have full access to the Department and its control processes. The Head of PICT is subject to control of both Accounting Officers in respect of expenditure. The Joint Department is not a corporate body.

Shared Service assets are jointly and separately owned by the two Corporate Officers and where they are managed by PICT this will be on a mutually agreed basis. Strategic aims, objectives and performance monitoring are agreed jointly with both Clerks on behalf of the Authorities of each House. Each House recognises, in its financial statements, the assets, liabilities and expenses incurred by PICT.

Decisions do not require unanimous consent. PICT can undertake work for one House or the other without reference to the other House.

## 26. Events after the Reporting Period

In accordance with the requirements of IAS 10, post Statement of Financial Position 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.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the House provides to employees.