

Presented to the House of Commons pursuant to Schedule (9) of the House of Commons Members' Fund Act 2016 (c. 18)

House of Commons Members' Fund Account 2020-21

Ordered by the House of Commons to be printed on 28 April 2022

HC 1275

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Report of the Trustees

Background

The Members' Fund was originally set up by the House of Commons Members' Fund Act 1939 and amended by various subsequent Acts. The Fund is not a pension fund and was initially set up in 1939 to provide for discretionary grants to be made by the Trustees to ex-Members of Parliament who attained 60 years of age and who had 10 years' service as Members, their widow/ers and orphan children under 16. Subsequent legislation allowed the Trustees to make discretionary payments to former Members and certain dependants having regard to their circumstances.

In recent years, the Fund's governing legislation was replaced by the House of Commons Members' Fund Act 2016. The Fund continues to make historic grant payments to those who qualify under the original legislation and the Trustees continue to have powers to make discretionary payments on an annual or one-off basis to former Members and their dependants based on their circumstances.

Developments during 2020-21

The Members' contributions have been a statutory £2 a month since 1961. There was no flexibility to alter this amount until the primary legislation of the Fund was changed to allow this in 2016. In 2019, advice was sought from the Government Actuary's Department (GAD) on the effect on the funding level if contributions were to increase up to the maximum of 0.2% of pay. At that time, the Trustees noted the positive impact to the funding level by increasing Member contributions and agreed to consider increasing the Member contribution rate as a percentage of MPs' salary depending on funding needs.

In November 2020, following a review of a funding level report from GAD based on the Fund's position as at 30 September 2020, the Trustees agreed that given the strong funding position, there was no requirement to increase Member contribution at that time. The Trustees agreed to review the position again in the following year. Following the year end, in November 2021, the Trustees agreed that the contribution should be increased by inflation from April 2022 and the decision should be reviewed annually.

During the year, the Rules of the MPs' Pension Scheme, which is part of the Parliamentary Contributory Pension Fund (PCPF), were amended to allow the PCPF to take on some of the HCMF's liabilities. One of the liabilities totalling £35,343.50 per annum was moved to the PCPF in July 2021 resulting in a reduction of the total actuarial liabilities of £1.9 million (Note 9, Table C, Notes to the Financial Statements). Future anticipated rule changes are expected to result in the remaining liabilities, totalling £14,108.22 per annum, moving in 2021-22.

Trustees

The Trustees are appointed by Resolution of the House in accordance with Section 2 of the 2016 Act.

During the scheme year, the Rt Hon Dame Cheryl Gillan DBE MP sadly passed away. Furthermore, Rt Hon Sir Alan Campbell MP was removed as a Trustee following being appointed Opposition Chief Whip. This resulted in two new Trustee nominations. A motion was approved by the House on 8 June 2021 to appoint Nick Brown MP and Craig Whittaker MP as new Trustees. Both new Trustees were invited to attend Trustee meetings in advance of the formal resolution being passed in line with past practise.

The Trustees in place at the time of signing the accounts were: Clive Betts MP (Chair), Stuart Andrew MP, Nick Brown MP, Peter Grant MP, Eric Martlew (former MP), Sir Charles Walker KBE MP and Craig Whittaker MP.

There were four Trustee meetings held during the accounting year. The Trustee meetings were held on 26 November 2020; 4 February 2021; 10 June 2021 and 9 September 2021. The Trustees' attendance at these meetings is summarised below. Where a Trustee was not able to attend all of the meetings in the year, the maximum number of meetings is given in brackets.

Name	Meetings attended
Clive Betts MP (Chair)	4
Rt Hon Dame Cheryl Gillan DBE MP	1 (of 2)
Peter Grant MP	1
Eric Martlew	4
Sir Charles Walker KBE MP	2
Rt Hon Sir Alan Campbell MP	2 (of 2)
Stuart Andrew MP	0
Nick Brown MP	2 (of 2)
Craig Whittaker MP	1 (of 2)

Officers of the Fund

The following professional parties are appointed in connection with the Fund.

Responsibility	Name	Appointed by
Actuarial advice	Government Actuary	Schedule (10) of the 2016 Act
External auditor of annual accounts	Comptroller and Auditor General	Schedule (9) of the 2016 Act
Investment Management	Legal & General Investment Management Ltd (LGIM)	Trustees
Payroll provider	House of Commons	Trustees
Secretary	Gurpreet Bassi House of Commons	Trustees

The Trustees have also appointed officials from the House of Commons, as their Secretariat.

Preparation of annual accounts

Under the 2016 Act, the Trustees became responsible for arranging the maintenance and publication of accounts in accordance with generally accepted accounting practice. At that time, the Trustees set an accounts direction to produce accounts, as far as appropriate, in accordance with FRS 102, which requires the Trustees to prepare financial statements that recognise the assets and liabilities (including long-term liabilities) arising from the payment of grants and discretionary benefits. Before signing the 20-21 accounts, the Trustees reviewed the accounts direction and, upon the advice of finance colleagues in House of Commons, agreed that FRS 102 remained the most appropriate accounting standard going forward.

Grants paid

At the beginning of the reporting year on 1 October 2020, there were 28 beneficiaries of the Fund and 30 annual grants in payment, as two beneficiaries receive annual grants that were initially due under two separate Acts. In July 2021, grant payments for one member were transferred to the Parliamentary Contributory Pension Fund (PCPF). After taking into account this transfer and three deaths during the year, there were 24 beneficiaries and 26 annual grants in payment as at 30 September 2021.

In addition, over the year to 30 September 2021 the Trustees paid out a total of £32,535 in discretionary grants to 4 recipients.

Income

Income to the Fund is derived from statutory contributions from Members of Parliament set up under the 1939 Act. The current rate remains at the rate of £24 per annum which was set by Statutory Instrument No 958 passed in 1961. The contributions are now deducted under a resolution of the House passed on 7 September 2020, permitted by the House of Commons Members' Fund Act 2016. Following the end of the accounting year, the Trustees agreed to increase the Member contributions by inflation from April 2022.

Investment income forms the largest proportion of income to the fund. All of the funds held with Legal & General Investment Management (LGIM) are income distribution funds. Details of the Fund's investments are provided in the next section.

Investment Details and Performance

Historically the Fund has had a high-risk appetite, this was reflected in their investment strategy which comprised of 72% equities (growth) and 28% bonds (protection) assets. It was agreed that this strategy was not compatible with the removal of Treasury support for the Fund following the 2016 Act. Since June 2018 a revised strategy was implemented. The adopted strategy was confirmed as sufficient by Hymans in 2019 and is shown below:

UK Equities- 20%
Diversified Growth Funds- 20%
Corporate Bonds- 25%
Index-linked gilts- 35%

The Trustees will be undertaking an investment review in 2022.

During the year, the Trustees monitored the investment performance through receipt of quarterly investment reports from LGIM.

Investment income decreased by £27,154 to £114,533 for the year ending 30 September 2021. The market value of the Fund's investments decreased by £15,294 over the year, from £7,709,422 on 30 September 2020 to £7,694,128 on 30 September 2021.

Following the outbreak of the COVID-19 pandemic the Trustees discussed the negative impact of the pandemic on the Fund's assets, which was specifically felt during February and March 2020. It was noted that the position had greatly improved during April and May 2020 and the Fund value had returned to pre COVID-19 levels by early June 2020. The Trustees considered advice from Hymans Robertson about their investment strategy in light of the pandemic. It was agreed that their investment strategy remained fit for purpose and was designed to withstand market volatility during 2020-21 and the Trustees agreed to undertake their next investment review in 2022.

Actuarial position of the Fund

Since the 2016 Act, Trustees are not required to ask the Government Actuary to carry out an actuarial assessment. Therefore, the Trustees have agreed that an actuarial assessment will only be carried out as and when they require. The Trustees commissioned this exercise in 2019 as part of their investment strategy review.

Actuarial liabilities for current obligations

The accounting valuation presented in these financial statements is different to the actuarial assessment which would be carried out by GAD. FRS 102 does not assess the funding level and requires that in the valuation of the accrued liabilities (the 'actuarial liability') no allowance is made for future discretionary payments or expenses of the fund, as these do not represent current obligations or future commitments as at year end. These financial statements include this accounting valuation and the grants that have been awarded during the year. There is also a provision for the annual regular grants.

Actuarial assessment of the Fund's financial position

It should be noted that in addition to the cashflow, the fund's assets are held with Legal & General Investment Management Ltd and as at 30 September 2021 the assets were valued at £7,694,128.

Contact Address

Further information about the House of Commons Members' Fund can be obtained from the HCMF Secretariat by emailing HCMF@parliament.uk, or by writing to them at:

Finance, Portfolio and Performance
House of Commons
Westminster
SW1A 0AA.

Previous published accounts for the Fund can be found on the following page.

<https://www.parliament.uk/business/publications/commons/house-of-commons-members-fund/>

Approved on behalf of all the Managing Trustees on 26/04/22 by:

Clive Betts MP
Chair of the Managing Trustees

Statement of Trustees' Responsibilities

The House of Commons Members' Fund Act 2016 requires the Managing Trustees of the House of Commons Members' Fund, to make arrangements for the maintenance and publication of accounts in accordance with generally accepted accounting practice. The accounts for the year ended 30 September 2019 were prepared on an FRS102 basis as directed by the Trustees.

Under the 2016 Act, the Managing Trustees have directed the Finance team at the House of Commons, to:

- Observe the framework agreed by Trustees and include the relevant accounting and disclosure requirements; apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis on the presumption that the Fund will continue in operation.

The Trustees are responsible for the keeping of proper accounting records, for ensuring that the proper financial procedures are followed, for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Trustees delegate this responsibility to finance officials at the House of Commons who assume responsibility for keeping accounting records, for ensuring that financial procedures are followed and that the accounting records are capable of producing statements which comply with the requirements of the 2016 Act.

As the Trustees, we have taken all the steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that HCMF's auditors are aware of that information. So far as we are aware, there is no relevant audit information of which the auditors are unaware.

The Trustees confirm that the Trustees' Report and financial statements are as a whole fair, balanced and understandable and take personal responsibility for the Trustees' Report and financial statements and the judgments required for determining that it is fair, balanced and understandable.

Governance Statement

Introduction

This statement covers the operation of the Fund for the year ending 30 September 2021. On behalf of all of the Trustees, I acknowledge our responsibility for ensuring that an effective system of governance is maintained and operated in connection with the Fund.

Governance framework of the House of Commons Members' Fund (Fund)

While the Managing Trustees maintain overall responsibility for the management of the Fund, in practice they have appointed officials from the House of Commons to provide full secretariat, administrative, payroll and accounting services to the Trustees.

The Secretariat is responsible for providing support and advice to Managing Trustees, day to day administration of the Fund and arranging all meetings and drafting papers, including agendas and minutes. This responsibility includes maintaining Trustee records and ensuring minuted decisions are actioned. All teams within the House of Commons may be subject to audit by the internal audit team, although the Trustees are not aware of any internal audits being undertaken during the year.

The House of Commons Members' Fund Act 2016 allows for seven trustees in total, one of which may be a former Member. The Trustees agreed to appoint a former member and this appointment has been in place since 13 July 2017.

The Managing Trustees have responsibility for reviewing the effectiveness of the system of internal control. Our review of its effectiveness is informed by the work of the Secretariat, who have been tasked with the development and maintenance of the control framework. The Secretariat is also responsible for assisting the Managing Trustees in the discharging of their legal and regulatory duties. This includes, for example: the preparation of the annual accounts; the preparation and maintenance of the Managing Trustees' risk register; and the management of applications for assistance.

One of the Trustees' principles of the investment strategy review was to keep the governance arrangements manageable and straightforward and for this reason the Trustees have not transitioned to a new investment manager and retained their funds with Legal & General Investment Management Ltd. In addition, LGIM are a renowned provider of passively managed mandates.

Work of the Trustees

The Managing Trustees held four meetings during the year; 26 November 2020; 4 February 2021; 10 June 2021 and 9 September 2021. The majority of one-off discretionary grants are approved by the Trustees at their meetings with decisions recorded in the minutes. Occasionally urgent one off or discretionary payments might be considered by email circulation between meetings with approval granted by quorate majority. If a Trustee decision is made by circulation this is ratified at the next meeting. There were no instances of this during the accounting year.

The Managing Trustees are not bound by the Treasury and Cabinet Office's Corporate Governance Code, and this reflects the fact that the Fund's governance circumstances are inherently different from those of Government departments. However, I am content that the Board meets the overall objective of separating policy and operations.

The Managing Trustees monitor the performance of the Fund's investments through quarterly reports prepared by the Fund's investment manager, Legal & General Investment Management Ltd (LGIM), showing the performance of each fund against the Fund's benchmark. At the year end, the Fund's assets were invested on a passive basis in four of LGIM's passive funds totalling £7,694,128 in value, in addition c. £423,854 was held as cash. The Managing Trustees were content with the performance

of the investments during the period. The fund administration for the Unit Trust Managers (UTM) range of funds has been outsourced to a third-party fund administration, Northern Trust (NT), and they conduct the pricing and valuation of the funds on behalf of LGIM. Whilst UTM are still responsible for overseeing this function LGIM are not required to produce AAF 01/06 / ISAE 3402 reports. Reliance is placed on SOC1 reports produced by Northern Trust which essentially covers the same areas as these reports. The SOC1 report is produced by Northern Trust and approved by their auditors and submitted to UTM as a client of Northern Trust. It gives assurance over the control environment and any exceptions noted in the period. UTM reviews this document and challenges appropriately. The Secretariat are comfortable that LGIM conduct appropriate due diligence on Northern Trust, and ensure the highest standards are delivered to them.

Risks

Overall responsibility for the Fund's risk management strategy resides with the Trustees, although day to day management is delegated to the Secretariat. The Fund's risk management processes are reviewed regularly to ensure they remain appropriate.

The Secretariat, on behalf of the Managing Trustees, drafts and keeps updated a Risk Register for the Fund to support the active management of risk. This identifies and analyses potential issues that pose a risk to the Fund's objectives in terms of impact and probability. The Risk Register containing plans to mitigate potential risks is taken to Trustees usually once a year and is updated and reviewed by the Secretariat. Lower level risks are managed by the Secretariat and are escalated to the Managing Trustees for action as necessary under the system of risk management. A detailed review of the risk register was carried out by the Secretariat in September, which resulted in new risks being added to the register as well as a revision of format used.

Details of the risks identified for the year to 30 September 2021, along with a summary of actions in place to reduce the impact or likelihood of these potential risks, are detailed below:

Risk	Mitigation and response to this risk
Operational disaster	<ul style="list-style-type: none"> Business continuity procedures are in place to ensure that all HCMF work would continue if staffing levels were unexpectedly reduced. All HCMF records, including member data and records of Trustee meetings are securely on a cloud based network.
Demand on fund is too high	<ul style="list-style-type: none"> IPSA improved loss of office payments to MPs who lose their seats, this should reduce the number of former members who need to apply for the Fund's assistance immediately following an election. Trustees have complete discretion over the distribution of Funds and can reject applications if funding levels are too low. Trustees have the power to increase Member contributions to the Fund to a maximum of 0.2% of salary by resolution of the House, or in line with cost of living without the need for a resolution
Cashflow risk	<ul style="list-style-type: none"> Finance officials monitor bank account closely and notify Secretariat if bank account balance falls below an agreed buffer. Trustees agreed to disinvest a fixed amount when the bank account reaches a specific level, following their investment strategy review 2019. Trustees monitor cashflow reports at each meeting.

Fraud	<ul style="list-style-type: none"> • Secretariat follow House of Commons Finance and Procurement Rules to reduce risk of fraud. • Fraud existence exercise carried out in conjunction with the PCPF approximately every five years. The last exercise was undertaken in 2017. Next exercise due to be completed by 2022.
Fund not managed in line with governing legislation	<ul style="list-style-type: none"> • Following the new Act in 2016 the Trustees made changes to the Fund's administrative arrangements to meet the terms of the new legislation. • Secretariat provide guidance and support to Trustees at all meetings to ensure decisions are in line with the legislation. • Officials from Office of Speaker's Counsel available to provide legal/policy advice if required. They were responsible for drafting the 2016 changes in legislation.
Terrorist Attack on House of Commons reduces number of Trustees	<ul style="list-style-type: none"> • 2016 Act allows one former Member to act as Trustee, who is unlikely to be affected by an attack on Parliament. • Trustee meetings held remotely where access to Parliament is limited. • Three Trustees required to provide a quorum. • There are now seven Trustees in place – the maximum under the HCMF Act 2016.

Financial management

Income paid to the Fund in the form of Member contributions and investment income are paid to the HCMF bank accounts managed by finance officials. Changes to Legal & General Investment Management Ltd's terms of business have been made to reflect the new arrangements, namely, to transfer the title of the legal assets and hold the appropriate authorised signatories.

The current arrangements in place require finance officials to perform monthly bank reconciliations and share these with the Secretariat. Anything which cannot be reconciled is reported to the Secretariat for further clarification. They also continue to be responsible for compiling the Financial Statements.

The Secretariat and finance officials work together to produce cashflow and expenditure reports which are reviewed by the Trustees at each meeting to improve governance on Fund costs and manage the cashflow risk.

The Managing Trustees have previously agreed that the Secretariat should adhere to the House of Commons' Finance and Procurement Rules. This should ensure that appropriate delegation of authority, resources are used only in accordance with agreed plans, and always adheres to the House's control procedures.

Fund Administration

The Managing Trustees have free access to all HCMF documents and records maintained by teams in the House of Commons.

The payroll function is performed by the House of Commons payroll service. A separation of duties exists in the payroll team whereby the staff member responsible for setting up the grant payments cannot authorise the payment and vice versa.

Finance officials pay the one-off lump sum gratuities following instruction from the HCMF Secretariat, through authorised procedures. A segregation of duties exists within financial teams when meeting outgoing payments. A monthly reconciliation of the grant payments is undertaken by the HCMF Secretariat to ensure grants are paid at the correct level and to the authorised beneficiary. One team are responsible for making one-off payments, another for undertaking bank reconciliations and another undertake payroll functions. Each team has different permissions and works within a distinct control environment.

There are currently three HCMF bank accounts. These are managed by finance officials on behalf of the Managing Trustees, who also undertake regular reconciliations of the Managing Trustees' bank accounts.

Legal & General Investment Management Limited

The Managing Trustees have delegated responsibility for the investment management of the majority of the Fund's assets, to Legal & General Investment Management Limited. Following changes in the investment strategy, the Fund's assets are now diversified and no longer concentrated in a single asset class. The Funds are invested on a passive basis in four of LGIM's funds, and LGIM undertakes custody of all investment securities of the Fund.

The Managing Trustees review LGIM investment performance at each Trustee meeting. LGIM operate under their own risk framework which provides assurance that risks are being appropriately identified and managed, and that an independent assessment of risks is being performed annually. LGIM's Risk, Compliance and Internal Controls Committee also regularly review the application of their risk framework and actions taken to address risk events.

Investors are kept informed of how LGIM's maintain a strong control and compliance environment through the production of an annual Assurance Report on Internal Controls. This document is based on the framework set out in ISAE 3402 issued by the International Auditing and Assurance Standards Board and AAF 01/06 issued by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales.

The Trustees last reviewed the investment strategy in 2019 and will be undertaking a routine review in 2022.

Information Security

The Trustees are data controllers for the Fund and following the General Data Protection Regulations they were provided with training to help them meet the new legal requirements. The Secretariat have updated the Fund's documentation to ensure compliance. Any breach of data must be reported to the Information Commissioner. There have been no such incidents during the year. Processes have been changed and improved to prevent or minimise any possible data losses. The parliamentary network is used to store the HCMF data and measures are in place to maintain information security. Staff of the House, including the Secretariat and finance officials, are kept updated and trained and receive annual essential cyber security training.

Conclusion

I am not aware of any significant control issues relating to the management of the Fund's assets or the administration of grants and as of rights payments.

Approved by the Managing Trustees on 26/04/22 signed on their behalf by:

Clive Betts MP
Chair of the Managing Trustees

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of The House of Commons Members' Fund (The Fund) for the year ended 30 September 2021 under the House of Commons Members' Fund Act 2016. The financial statements comprise the Statement of Comprehensive Net Income, Financial position, Changes in Equity, and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion, the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 30 September 2021 and of the Fund's net income for the year then ended; and
- have been properly prepared in accordance with the House of Commons Members' Fund Act 2016 and directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Fund's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this certificate.

Other Information

The other information comprises information included in the Report of the Trustees, the Statement of Trustees' Responsibilities, and the Governance Statement but does not include the financial statements and my auditor's certificate thereon. The Trustees are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Trustees, the Statement of Trustees' Responsibilities and the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Report of the Trustees, the Statement of Trustees' Responsibilities and the Governance Statement.

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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Trustees

As explained more fully in the Statement of Trustee's Responsibilities, the Trustees are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as Trustees determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Trustees either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the House of Commons Members' Fund Act 2016.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Fund's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Fund's controls relating to the House of Commons Members' Fund Act 2016;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and the valuation of long-term liabilities; and
- obtaining an understanding of the Fund's framework of authority as well as other legal and regulatory frameworks that the Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Fund. The key laws and regulations I considered in this context included the House of Commons Members' Fund Act 2016.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

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

Date 27 April 2022

Financial Statements

Statement of Comprehensive Net Income for the year ended 30 September 2021

	Note	2020-21 £	2019-20 £
Contributions and Costs			
<i>Contribution's receivable:</i>			
Contributions from Members of Parliament		<u>15,424</u>	<u>15,734</u>
		<u>15,424</u>	<u>15,734</u>
Discretionary grants	3	(32,535)	(57,288)
Administrative expenses	4	(82,907)	(73,594)
Changes in provision for long-term liability	9	<u>(34,000)</u>	<u>(45,000)</u>
		(149,442)	(175,882)
Net Contributions		(134,018)	(160,148)
Returns on Investments			
Investment income	5	114,533	141,687
Increase/(Decrease) in market value of investments	6/7	<u>284,706</u>	<u>(299,486)</u>
Net returns on investments		399,239	(157,799)
Net income/(expenditure)		<u>265,221</u>	<u>(317,947)</u>
Other comprehensive net expenditure			
(Increase)/Decrease in long-term liability	9	<u>1,871,000</u>	<u>(158,000)</u>
Total comprehensive net increase/(decrease) in the Fund		<u>2,136,221</u>	<u>(475,947)</u>

The notes on pages 20 to 25 form part of these accounts.

Statement of Financial Position as at 30 September 2021

	Note	2020-21 £	2019-20 £
Investments at market value			
Legal & General Index - Tracking Funds	6	7,694,128	7,709,422
		7,694,128	7,709,422
 Current Assets	 8	 433,158	 213,390
Current Liabilities	8	(67,429)	(45,861)
Net Current Assets		365,729	167,529
 Total assets, less current liabilities		 8,059,857	 7,876,951
Non-current liabilities			
Long-term liability	9	(612,000)	(2,565,315)
Total assets less liabilities		7,447,857	5,311,636
 Equity			
General Fund		7,447,857	5,311,636

The notes on pages 20 to 25 form part of these accounts.

These financial statements were approved and authorised for issue by the Trustees on 26/04/22 and signed on their behalf by

Clive Betts MP
Chairman of the Managing Trustees

Statement of Changes in Equity

	Note	2020-21 £	2019-20 £
Balance as at 1 October		5,311,636	5,787,583
Comprehensive Net Income/(Expenditure) for the year		265,221	(317,947)
Change in provision for long-term liability	9	1,871,000	(158,000)
Net change in Equity		<u>2,136,221</u>	<u>(475,947)</u>
Balance as at 30 September		<u>7,447,857</u>	<u>5,311,636</u>

The notes on pages 20 to 25 form part of these accounts.

Notes to the Financial Statements

1. Basis of Preparation

The House of Commons Members' Fund Act 2016 requires the financial statements to be prepared in accordance with 'generally accepted accounting practice' which could be FRS 102 or International Financial Reporting Standards – "IFRS". The Trustees have agreed FRS102 to be the most suitable basis for preparation for the financial statements and adopted the small entity exemption not to prepare the Statement of Cash Flows.

FRS 102 requires the Trustees to prepare financial statements that recognise the assets and liabilities (including the long-term liabilities) arising from the payment of grants and discretionary benefits.

The Statement of Accounts summarises the fund's transactions for the 2020/21 financial year and its position as at 30 September 2021.

2. Accounting policies

The principal accounting policies are:

Going Concern

In accordance with FRS102, an entity is a going concern unless management either intends to liquidate or has no realistic alternative but to do so. When making this assumption, management consider all available information about the future, which is at least, but not limited to, twelve months from the date when the financial statements are authorised for issue. Management consider that the Fund is a going concern as there are sufficient funds to cover the liabilities due.

Contributions and Benefits

Contributions and benefits are accounted for in the period in which they fall due. A grant is recognised within the liability for the full obligation in the year in which it is approved.

Investment income and Valuation

In accordance with FRS102, investments are recognised at their fair value on the statement of financial position.

Investment income retained and automatically reinvested by accumulation funds is not accounted for as income. Changes in value, whether attributable to the reinvested income or growth in the value of the underlying securities, are included in the 'Change in market value of investments' figure in the Statement of comprehensive net income. The change in the investment market values during the year includes profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

Units in pooled investment vehicles have been valued at the closing bid price as advised by the investment manager.

Administrative expenses

Administration expenses are accounted for in the period that they relate.

Financial Liabilities

The long-term liability is calculated by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with FRS 102. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 9. This estimate is subject to significant variances based on changes to the underlying assumptions. The preparation of the accounts requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Statement of Financial Position date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made considering historical experience, current trends and other relevant

factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimate.

3. Discretionary grants

There was a decrease in the level of discretionary applications made to, and granted by, the Fund in the accounting year. During the 2019/20 accounting year, there had been an increase due to several MPs losing their seats at the snap Election in December 2019. The increase in the level and number of grants awarded in the 2019/20 year was as expected following a General Election.

4. Administrative expenses

	2020-21	2019-20
	£	£
Secretariat Staff Costs*	38,967	44,158
External Audit fee ¹	20,000	19,000
Actuarial fees**	23,604	10,181
Bank charges	336	255
	<u>82,907</u>	<u>73,594</u>

*Secretariat staff costs include other management costs

** Actuarial fees were higher in the year 2020-21 as additional actuarial work on the funding position of the HCMF was undertaken in the year.

5. Investment income

	2020-21	2019-20
	£	£
Interest on cash held on deposit	-	460
Income from Legal and General Funds	114,533	141,227
	<u>114,533</u>	<u>141,687</u>

6. Investments at market value

	Value at 1st October 2020	Purchases at Cost		Disinvestment	Change in Market Value	Value at 30th September 2021
	£	£	£	£	£	£
UK Index Trust	1,170,168	-	-	-	286,571	1,456,739
All Stocks Index Linked Gilt Trust	3,065,233	-	-	(300,000)	(27,152)	2,738,081
Sterling Corporate Bond	2,016,096	-	-	-	(77,542)	1,938,554
Multi-Index Income 4 fund	1,457,925	-	-	-	102,829	1,560,754
Legal & General Index-tracker units	7,709,422	-	-	(300,000)	284,706	7,694,128

¹ The Comptroller and Auditor General does not provide any non-audit services.

7. Fair Value

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e. - developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. - for which market data is unavailable) for the asset or liability.

As at 30 September 2021 the funds invested in were Level 2.

Risk and Risk management

The Fund is exposed to a number of risks relating to market risk, interest rate risk, foreign currency risk, credit risk, liquidity risk, derivative risk and inflation risk.

The Fund's primary long-term risk is that the Fund's assets will not be sufficient to meet the payment of periodic grants paid to members (i.e., meet the liabilities) in full as they fall due. The primary objective of investment risk management is to reduce, or remove, the risk that the Fund's assets will be insufficient to meet the liabilities in full. In order to meet the risk management objective, strategic requirements for asset growth, income generation and capital preservation must be balanced. The Fund aims to minimise risk through asset diversification to reduce market risk exposure (price risk, interest rate risk) and credit risk to an acceptable level. The Trustees manage these risks as part of their overall risk management policy and made changes to their strategy during 2017 and 2018 due to the level of market risk, liquidity risk and cash flow risk exposure. This strategy was reviewed and accepted in 2019. The Trustees further reviewed the strategy in light of the pandemic as part of their investment strategy review and it was agreed that their investment strategy remained fit for purpose.

8. Net current assets/liabilities

	2020-21 £	2019-20 £
Current assets		
Contributions and benefits:		
Debtors and prepayments	9,304	11,998
Balance at bank – Current Account	423,854	201,392
	<u>433,158</u>	<u>213,390</u>
Current liabilities		
(Creditors due within one year)		
Contributions and benefits:		
<i>Administrative expenses:</i>		
Secretariat Staff costs	(38,429)	(61)
External Audit fee	(20,000)	(38,000)
Actuarial fees	(9,000)	(7,800)
	<u>(67,429)</u>	<u>(45,861)</u>
Net current assets	<u>365,729</u>	<u>167,529</u>

9. Long-term liability

A. This statement has been prepared by the Government Actuary's Department at the request of the Trustees of the House of Commons Members' Fund (HCMF). The Trustees have commissioned GAD to assess the liabilities of the fund in accordance with Financial Reporting Standard 102 (FRS102), and to prepare a statement for inclusion in the fund's accounts.

B. The HCMF is a statutory trust, which was set up in 1939 before a pension scheme was established for Members of Parliament (MPs), to help former MPs and their dependants who had financial difficulty. Subsequent amendments allowed grants to be made to alleviate hardship, gave Trustees greater discretion and introduced regular grant payments to certain members who left the House of Commons before the Parliamentary Contributory Pension Fund (PCPF) was established.

C. The statement is based on an assessment of the liabilities as at 30 September 2020 and 30 September 2021.

Membership Data

D. Table A summarises the principal membership data as at 30 September 2018 and data that has been updated allowing for deaths and inflationary increases as at 30 September 2019, 30 September 2020 and 30 September 2021.

Table A – Grants in payment Data

Date	Number of members	Total grants in payment
30-Sep-18	35	£142,663
30-Sep-19	32	£138,337
30-Sep-20	28	£128,542
30-Sep-21	24	£87,907

Methodology

E. The present value of the liabilities has been determined using the Projected Unit Credit Method, and the principal financial assumptions applying to the accounts.

F. This statement takes into account the periodic grants currently payable by the fund. It also takes account of a settlement of liabilities during the year following a change in eligibility rules.

Principal financial assumptions

G. The principal financial assumptions adopted to prepare this statement are shown in Table B.

Table B – Principal financial Assumptions

Assumption	30 September 2021 % a year	30 September 2020 % a year
Rate of return (discount rate)	1.75%	1.60%
Rate of CPI increases	2.90%	2.10%
Rate of return in excess of CPI increases	-1.10%	-0.50%

Demographic assumptions

H. The standard mortality tables known as S3NxA are used, with adjustments as used in the latest completed valuation of the Parliamentary Contributory Pension Fund (PCPF). Mortality improvements are in accordance with those incorporated in the 2018-based principal population projections for the United Kingdom.

Liabilities

I. Table C summarises the assessed values as at 30 September 2020 and 30 September 2021 of the fund's liabilities based on the data, methodology and assumptions described in paragraphs D to H. The corresponding figure for the previous year end is also included in the table.

Table C – Statement of Financial Position

	30-Sep-21 (£)	30-Sep-20 (£)
Total market value of assets	7,694,000	7,709,000
Value of liabilities	612,000	2,565,000
Surplus/(Deficit)	7,082,000	5,144,000

Movement in liabilities during the year

	2020-21 (£)	2019-20 (£)
Liabilities at start of year	2,565,000	2,496,000
Current service cost	0	0
Benefits paid during the year	-116,000	-134,000
Interest on liability	34,000	45,000
Settlement	-1,880,000	0
Changes in assumptions	9,000	173,000
Experience gains or losses	0	-15,00
Liabilities at end of year	612,000	2,565,000

Sensitivity of results

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty the information below indicates the approximate effects on the actuarial liability as at 30 September 2021 of changes to the significant actuarial assumptions.

Table D shows the indicative effects on the total liability as at 30th September 2021 of changes in the rate of interest (or discount rate) and change in the members mortality.

Table D – Sensitivity to Main Assumptions

Change in assumption *	Approximate effect on total liability	
(i) discount rate ½% pa lower	3.1%	£19,000
(ii) members 1 year younger	4.9%	£30,000

*Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

In these sensitivity runs it is assumed that all assumptions, other than what is listed, remain the same.

10. Related party transactions

The Secretary to the Managing Trustees and the Secretariat staff also work for the Finance, Portfolio & Performance team, House of Commons who operate the House of Commons Members' Resource Account. The Fund reimburses the Finance, Portfolio & Performance team for the services of the staff, note 4 provides financial information.

The House of Commons incurred costs of £32,240.58 during the 2020-21 financial year, all of which remained payable at the close of the year.

The Trustees are made up of serving MPs and one former MP. Therefore, Trustees who are serving MPs make a monthly contribution to the Fund. While a former Member is a Trustee, they or their dependants may not receive financial assistance from the Fund. In future once they are no longer Trustees, as former Members they or their dependants are all eligible to apply to the Fund for assistance.

There were no Trustees who were beneficiaries of the Fund during the accounting year.

There were no fees paid to Trustees during the accounting year.

Other than the related party transactions disclosed above, none of the Trustees, key management staff nor any other related party, has undertaken any material transactions with the Fund during the year.

11. Events after the reporting period date

The accounts were authorised for issue on the date of the Comptroller and Auditor General's signature.