

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

**Annual Accounts**

**2011-12**

***(for the year ended 31 March 2012)***

Presented to the House of Commons in pursuance of section 3 of the House of Commons (Administration) Act 1978 (as amended by the Government Resources and Accounts Act 2000)

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## Foreword to the Accounts

For the year ended 31 March 2012

### Scope of the accounts

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These accounts cover expenditure arising from general administration including staff costs, general expenses, stationery, printing, security, broadcasting, IT, catering and accommodation services. They further include associated non-cash costs, some travel costs of Members of Parliament in connection with select committees and delegations to international parliamentary assemblies, costs incurred on international parliamentary activities, and grants to the History of Parliament Trust, certain parliamentary bodies and to the Association of Former Members of Parliament. Income arising from catering receipts, rental income, sale of goods and services, fees received and receipts in connection with parliamentary activities is used to meet the cost of the goods and services provided.

The cost of Members' salaries, allowances and other related expenditure is borne between the Independent Parliamentary Standards Authority Estimate and the House of Commons Members Estimate.

### Purpose

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The House of Commons Service provides a politically impartial service to all Members of Parliament. It supports, informs and records the work of the House of Commons as an elected parliamentary Chamber. Whenever feasible it makes the House's work and information about that work accessible to the general public, while maintaining the heritage of parliamentary buildings and documents in trust for the public and future generations. It also contributes to parliamentary democracy by sharing its knowledge with parliaments and assemblies worldwide.

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.

### Core objectives

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The House of Commons Commission adopted a revised strategy following the 2010 General Election. The *New Parliament: Strategy for the House of Commons Service 2010-15* has the aim that by 2015:

- The House of Commons will be valued as the central institution in our democracy: effective in holding the Government to account, scrutinising legislation, and representing the diverse views of the electorate. It will be seen both in the UK and abroad as a model of good practice and innovation, and will cost less money;
- Members of Parliament will have the information, advice, support and technology they need to be effective in their work and to engage closely with their constituents;
- The House Service will have earned the respect of Members of Parliament and of the public for its independence, integrity and professionalism and for its commitment to making Parliament work ever more effectively. It will be seen as modern, efficient and responsive. House staff will feel proud to work in the institution and confident that their contribution is valued;
- The House Service will be engaged on an agreed plan of work to ensure both that the Palace of Westminster is preserved for future generations and that Parliament has the accommodation it needs to operate in a modern democracy.

To achieve this aim the House Service will:

- Make the House of Commons more **EFFECTIVE** by:
  - supporting the House in implementing reforms to the way in which the Government is held to account and in strengthening the scrutiny of legislation;
  - developing new ways to represent the diverse views of the electorate;
  - influencing decisions on constitutional reform, and being ready to respond to the outcomes.
- Make the House Administration more **EFFICIENT** by:
  - Reducing resource expenditure by 17% to achieve an Estimate of no more than £210 million by 2014-15, through reviewing what the House Administration does and how it is done;
  - supporting and learning from the experience of other Parliaments;
  - becoming a greener, more sustainable Parliament, on track to meet our agreed long-term targets for reductions in carbon emissions, water consumption and waste generation, and increases in recycling;
  - doing the work required to enable decisions to be taken on the long-term future of the Palace of Westminster;
  - making Parliament a leader in the use of IT, exploiting the potential of online services and reducing the volume of printing;
  - speeding up administrative decision-making, simplifying our processes and developing effective relationships between staff, unions and management.
- Ensure that Members, staff and the public are well-**INFORMED** by:
  - giving Members the support and access to the information they require to be effective in their role;
  - making sure that staff have the skills and capability to play their part in helping the House innovate and develop for the future, and to deliver excellent service through high quality people development and unified leadership;
  - giving the public the information needed to understand and appreciate the work of the House and its Members, by continuing to develop information, education and outreach services.
- Work at every level to earn **RESPECT** for the House of Commons by:
  - having an open and transparent way of doing business;
  - encouraging public participation in parliamentary business, including the work of select committees and the legislative process, developing outreach and education services and making the House more welcoming to the public;
  - having clear and accepted standards of behaviour for Members and for staff, and taking action against breaches of these standards;
  - engaging proactively with the media to encourage full and accurate reporting of House matters.

The Management Board reviews progress against these four core objectives through a monthly *Performance and Risk Report*, and remains on track to meet these objectives, in particular the Savings Programme requirement to achieve a resource Administration Estimate of no more than £210 million by 2014-15 after any inflationary adjustments. The House of Commons Commission 34<sup>th</sup> Annual Report (HC 518) contains further information on activities and performance during 2011-12 together with the Annual Report of the Administration Estimate Audit Committee (<http://www.publications.parliament.uk/pa/cm/cmcomcom.htm>).

## 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. In this role the Commission is advised by the Finance and Services Committee. The Commission is further advised by the Administration Committee in respect of the services provided to Members of Parliament and to the public by the House Service.

The membership of the House of Commons Commission is determined by 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 John Bercow MP: Speaker (*Chairman, by virtue of office*)

The Rt Hon Sir George Young Bt MP: Leader of the House of Commons (*by virtue of office*)

John Thurso MP: also Chairman of the Finance and Services Committee

The Rt Hon Hilary Benn MP

Sir Paul Beresford MP

Frank Doran MP

The membership of the Commission changed on 12 October 2011 when Angela Eagle MP replaced the Rt Hon Hilary Benn MP.

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.

During the year there were five House of Commons departments in addition to PICT. The functions of each department included:

Chamber and Committee Services: provided secretariat, advice, procedural, reporting, security and other services that supported the work of the Chamber and committees, and the House's international relations;

Facilities: provided accommodation, logistics, catering, retail, estate and asset management, environmental management, fire safety and other facilities required by the House, developed and maintained the infrastructure and fabric of the buildings of both Houses;

Finance: provided finance, payroll and commercial services to the House;

Human Resources and Change: supported the House Service in managing its staff capability, including recruitment, pay and conditions, learning and development, diversity, and change management;

Information Services: informed the work of the House and its Members and provides information and access to the public;

Parliamentary Information and Communications Technology (PICT): provided information and communications technology services to both Houses of Parliament.

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:

Sir Malcolm Jack KCB: Chairman, Clerk of the House and Chief Executive

Myfanwy Barrett: Director of Finance

John Borley CB: Director General, Facilities

John Pullinger: Director General, Information Services

Robert Rogers: Director General, Chamber and Committee Services

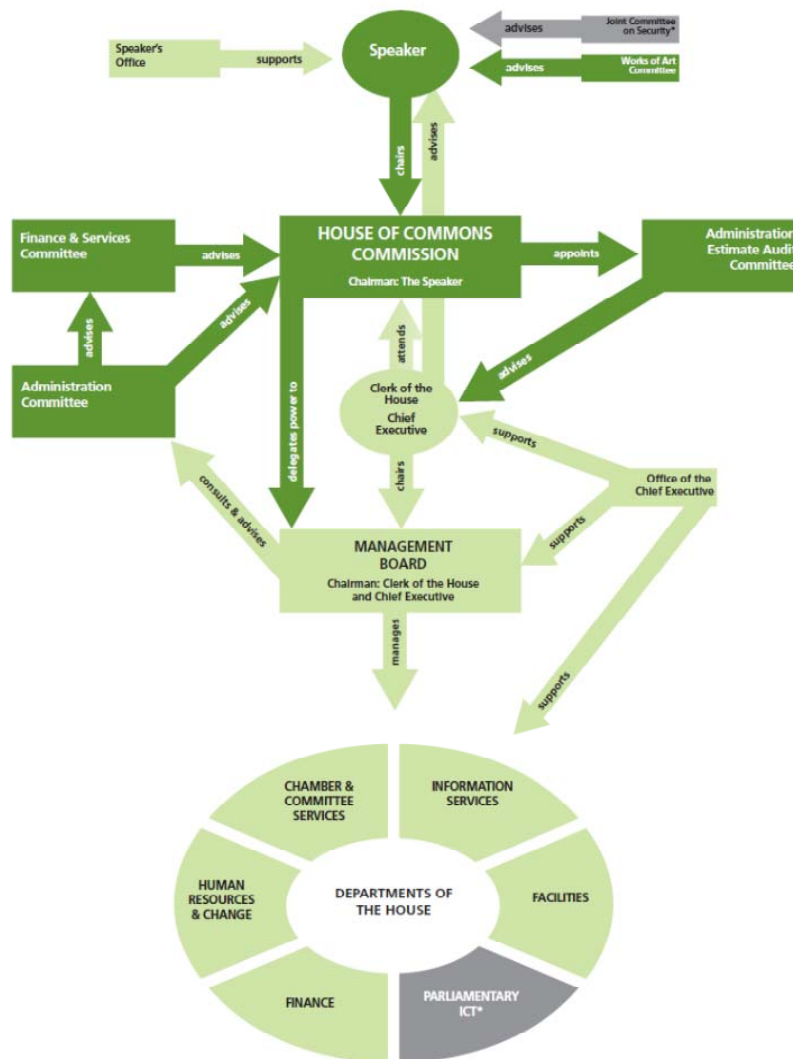
Andrew Walker: Director General, Human Resources and Change

Joan Miller: External member, Director of PICT

Alex Jablonowski: External member

Sir Malcolm Jack retired at the end of September 2011 and was replaced by Robert Rogers on his appointment as Clerk of the House from 1 October 2011. David Natzler became the Director General, Chamber and Committee Services and a Management Board member at the same time. The Commission authorised the appointment of a third external member of the Board in 2012-13 and Barbara Scott was appointed to the role in May 2012 following a competition.

**The Governance Structure of the House of Commons Administration**



\*Joint Services with the House of Lords

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**Management commentary**

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**Resources**

There is a Savings Programme in place to support the *New Parliament: Strategy for the House of Commons Service 2010-15* with a target to achieve resource savings of at least 17% by 2014-15. In December 2010 the Commission agreed a resource Estimate of £228 million (HC935) in line with the target of achieving a resource Estimate of no more than £210 million by 2014-15. This was subsequently reduced by £19.6 million to £208.4 million in February 2012 to take account of a technical accounting adjustment arising from the revaluation of land and buildings on the parliamentary estate.

The Statement of Parliamentary Supply shows an outturn of £201.2 million against the revised Estimate of £208.4 million for the year. This represents an underspend of £7.2 million (3.5%) which arose from departmental underspends of £4.3 million on delegated budgets of £179.6 million (2.4%) and an underspend of £2.9 million against centrally held funds of £28.8 million (10.1%). Most of the departmental underspends are small cumulative variances with the exception of demand led printing costs (£1.0 million) and computer maintenance (£1.5 million). The centrally held funds underspend comprised of an unused financial risk contingency of £2.0 million together with various non-cash accounting adjustments.

Non-cash costs (£35.5 million) accounted for 17% of the resource expenditure. These were again volatile with significant changes against planned expenditure arising towards the year end. Significant fluctuations arose against current pension liabilities (£2.4 million) that were partly offset by equally large movements on the pension interest costs on the historic pension liabilities (£3.7 million). Although the original Estimate had been adjusted by £19.6 million for property and land revaluations a further credit of £0.7 million arose on these. Again, these were offset in part by building dilapidation costs of £2.0 million. Given the volatility of these costs further work is being undertaken, within the parameters of the relevant accounting standards, to ascertain the scope for managing these non-cash costs more effectively.

The 2010-11 outturn of £169.7 million included a non-cash pension adjustment of £46.5 million following the decision in that year to change the indexation of pension increases from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). Those accounts also included a further non-cash adjustment of £3.7 million arising from the revaluation of property and land. Without these adjustments the 2010-11 outturn would have been £220.0 million

Staff contributions to secure pension benefits have been increased from the 1 April 2012 given the House of Commons (Administration) Act 1978 requires the terms and conditions of the House of Commons Staff Pension Scheme (HoCSPS) to be kept in line with pensions provided by the Home Civil Service. This should reduce the level of pension liabilities in future years.

**Income**

The House of Commons (Administration) Act 1978 allows relevant expenditure to be set off against income received. In 2011-12 net income of £11.3 million was generated. This was significantly larger than in 2010-11 (£9.6 million) and supports the aim to generate further income as part of the Savings Programme strategy.

**Capital**

A capital outturn of £9.4 million was achieved against an Estimate of £20.0 million representing an underspend of £10.6 million (52.8%). This primarily arose from delays to the delivery of a number of Works programmes.

**Cash**

A net cash requirement of £189.2 million was achieved against an Estimate limit of £193.3 million. The underspend of £4.1 million (2.1%) represents the cash element of the resource underspend (£4.8



million) plus the capital underspend (£10.6 million) less the cash requirement on monetary working capital (£11.3 million).

### **Net Assets**

Total assets employed by the House of Commons less current liabilities increased from £828.0 million to £872.3 million at the year end, an increase of £44.3 million (5.4%). The value of the Estate increased by £36.5 million to £844.4 million after incurring depreciation charges of £12.4 million, payments on account and the value of assets under construction increased by £3.9 million, while IT equipment held reduced in value by £2.1 million. In addition, there were movements on monetary working capital of £6.9 million, which further increased the net asset worth.

### **Payment of Suppliers**

Performance on the payment of supplier invoices within 30 days of receipt of an invoice improved to a monthly average of 88.9% (86.3% in 2010-11). Payment performance in one area of the business is restricted by the existing system. This is being addressed as part of the House Administration Information System (HAIS) development programme. Excluding these invoices would raise the 2011-12 performance level to 94.6%. Performance is reported monthly and steps are being taken to improve performance.

### **Resources Required for 2012-13**

The Commission has agreed to an Estimate with a net resource requirement of £224.0 million for 2012-13. This is £4.0 million less than the previous year, if the one-off revaluation adjustment of £19.6 million is excluded, reflecting the planned reduction of expenditure to meet the Savings Programme target of £210.0 million by 2014-15 after absorbing inflationary pressures. The savings target represents a real reduction of 17%.

The capital provision has increased by £10.9 million to £30.9 million reflecting a significant increase in the planned Works programme. This includes further investment in the Palace of Westminster structure, a Grade I listed building within a World Heritage site.

### **Public interest**

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At the 31 March 2012 the House of Commons consisted of 650 Members elected by their constituents. The Commons is constitutionally separate from the Government of the day. 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 appointed under a letter of engagement to audit the financial statements of the House of Commons.

As far as I am aware, there is no relevant audit information of which the auditors are unaware. I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

**Robert Rogers**  
**Accounting Officer**  
**9 July 2012**

## Remuneration Report

For the year ended 31 March 2012

### Remuneration policy

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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.

Senior Commons Staff, including Management Board members, have been subject to a pay freeze since April 2010 and this will continue for a further year until 2012-13. The system of additional awards has continued but with a reduced ceiling of no more than a quarter of staff receiving an award if the House-wide panel considers they meet the criteria. The amounts of individual awards in 2011-12 ranged from £4,500 to £6,500. These awards were one-off payments and not consolidated as part of an individual's future salary entitlement

A two year pay freeze for staff in Pay Bands A to E has applied since April 2011. An exemption applied for staff earning less than £21,000 per annum who received a £250 consolidated award in 2011-12. In addition, non-consolidated awards, given in three tiers ranging from £645 for the higher Pay Bands to £395 for lower Pay Bands, were made. Similar arrangements applied to staff in catering and retail grades, but with the non-consolidated payments ranging from £380 to £250.

**Salary entitlements (audited)**

The salary and benefits in kind of members of the Management Board were:

	2011-12			2010-11		
	Salary (a)	Performance Award <sup>1</sup>	Benefits in kind <sup>2</sup> (b)	Salary (a)	Performance Award <sup>1</sup>	Benefits in kind <sup>2</sup> (b)
	£000	£000	£000	£000	£000	£000
Robert Rogers	165 - 170 <sup>3</sup> (195 – 200 full year equivalent)	-	-	135 – 140	5 - 10 <sup>4</sup>	-
Sir Malcolm Jack KCB (until 30 September 2011)	95 – 100 (195 – 200 full year equivalent)	-	-	195 – 200	-	-
Myfanwy Barrett	105 -110	-	-	5 – 10 (105 – 110 full year equivalent)	-	-
John Borley CB	120 - 125	-	-	120 – 125	-	-
David Natzler (from 1 October 2011)	65 – 70 (125 - 130 full year equivalent)	-	-	-	-	-
John Pullinger	120 - 125	-	-	120 – 125	0 - 5	-
Andrew Walker	120 - 125	-	-	120 – 125	-	-
Joan Miller	100 – 105 (c)	-	-	100 – 105	-	-
Alex Jablonowski	15 – 20 (d)	-	-	15 – 20	-	-

**Notes:**

(a) Salary includes gross salary and allowances.

(b) Benefits in kind: The monetary value covers any benefits provided by the House and treated by HM Revenue and Customs as a taxable emolument. 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.

<sup>1</sup> Performance Awards are non-consolidated and are based on performance during the previous reporting year.

<sup>2</sup> The tax treatment of benefits in kind is currently being discussed with HM Revenue & Customs.

<sup>3</sup> Robert Rogers was appointed as Clerk of the House on 1 October 2011.

<sup>4</sup> Performance award relates to work performed in a previous role before he joined the Board.

The following table shows the ratio of the median all House staff compared to the highest paid director:

	2011-12	2010-11
Highest earner's total remuneration (£000)	195 – 200	-
Median total remuneration (£)	32,005	-
Ratio	6.17	-

### Pension benefits (audited)

The pension entitlements of the members of the Management Board, covering the period during which they were on the Board, were as follows (for 2010-11 figures, see House of Commons Resource Accounts, HC 1423):

	Accrued pension and related lump sum at 31/3/12	Real increase in pension and related lump sum at 31/3/11	CETV at 31/3/12	CETV at 31/3/11 <sup>5</sup> (restated)	Real increase In CETV
	(£000)	(£000)	(£000)	(£000)	(£000)
Robert Rogers	80 – 85 plus lump sum 250 – 255	12.5 – 15 plus lump sum 37.5 – 40	1,900	1,552	293
Sir Malcolm Jack KCB (until 30 September 2011)	135 – 140 (lump sum n/a)	(2.5) <sup>6</sup> – 0 (lump sum n/a)	2,485	2,426	(6) <sup>7</sup>
Myfanwy Barrett	0 – 5 (lump sum n/a)	0 – 2.5 (lump sum n/a)	16	1	12
John Borley CB	10 – 15 (lump sum n/a)	2.5 – 5.0 (lump sum n/a)	142	101	29
David Natzler (from 1 October 2011)	55 – 60 plus lump sum 175 – 180	(2.5) <sup>6</sup> – 0 plus lump sum (2.5) <sup>6</sup> – 0	1,317	1,230	(17) <sup>7</sup>
John Pullinger	45 – 50 plus lump sum 140 - 145	(2.5) <sup>6</sup> – 0 plus lump sum (5.0) <sup>6</sup> – (2.5)	874	823	(18)
Andrew Walker	50 – 55 plus lump sum 160 - 165	(2.5) <sup>6</sup> – 0 plus lump sum (5.0) <sup>6</sup> – (2.5)	1,142	1,077	(27) <sup>7</sup>
Joan Miller	10 – 15 (lump sum n/a)	0 – 2.5 (lump sum n/a)	259	230	18
Alex Jablonowski <sup>8</sup>	n/a	n/a	n/a	n/a	n/a

Pension benefits are provided through the House of Commons Staff Pension Scheme (HOCSPS). Further details of the pension benefits provided and current pension scheme liabilities are provided in Note 19(a).

<sup>5</sup> The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31 March 2011 and 31 March 2012 have both been calculated using the new factors, for consistency. The CETV at 31 March 2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

<sup>6</sup> After taking account of inflation, the pension and related lump sum have decreased in real terms as a result of either no or very small salary increases during the year.

<sup>7</sup> After taking account of inflation, the CETV funded by the employer has decreased in real terms as a result of either no or very small salary increases during the year.

<sup>8</sup> Not a member of the House of Commons Staff Pension Scheme

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued. It represents the payment required to secure pension benefits in another pension scheme or, arrangement should an individual leave the scheme and choose to transfer the benefits accrued. The CETV includes both the value of any benefits previously transferred into the HOCSPS or added benefits in the pension scheme purchased directly by the individual. CETVs are worked out 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 taken.

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

**Robert Rogers**  
**Accounting Officer**  
**9 July 2012**

## 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.

## Annual Governance Statement<sup>9</sup>

### Governance framework of the House of Commons

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The House of Commons Administration is overseen by the group of Members of Parliament who make up the House of Commons Commission. The management of the House Service and its operations is delegated, through an Instrument of Delegation, by the Commission to the senior officials who form the House of Commons Management Board. The Commission signs off the annual budget for the House; its approval must be obtained for any major change to the structure of the House of Commons Service; and it is the legal employer of members of the Service.

The Commission is supported by two Select Committees of the House: the Finance and Services Committee, which acts as an advisory body to the Commission, and the Administration Committee, which acts as a channel of communication to and from Members of Parliament in general.

The Administration Estimate Audit Committee includes both Members of Parliament and external experts; the Chair is currently one of the external members of the Management Board. The Committee advises the Commission and the Accounting Officer and has oversight of the work of Internal Audit. Its annual report is published with the House of Commons Commission's Annual Report<sup>10</sup>.

The House of Commons Management Board oversees the operational functions of the House and develops the House's policies, budgets and strategic planning, the main elements of which are endorsed by the Commission. The Chief Executive, who is also the Clerk of the House of Commons, chairs the Management Board and is the Accounting Officer and Corporate Officer. The other members are the heads of the five Departments of the House: the Departments of Chamber and Committee Services, Facilities, Finance, Human Resources and Change, and Information Services, together with the director of Parliamentary ICT (PICT), a bicameral department which serves both Houses. During 2011-12 there was an independent non-executive member, and an additional non-executive member has been appointed for 2012-13.

Although the Management Board is responsible for the delivery of House of Commons services, there is also an important bicameral element to its work which is reflected in the governance arrangements. These include joint meetings of the Management Boards of the two Houses to agree the Medium Term Investment Plan (MTIP) and the Medium Term Financial Plan (MTFP)<sub>1</sub>, and standing bicameral groups of senior officials from both Houses such as the Parliamentary Estates Board (PEB) and the PICT Advisory Board (PICTAB). The Parliamentary Security Director (PSD), appointed in January 2012, is a House of Commons official who serves both Houses and is responsible for the strategic direction of all aspects of security policy in Parliament.

A more detailed account of the House's governance framework is available at <http://www.parliament.uk/documents/commons-commission/Governance-framework-Feb-2012-FINAL.pdf>

The House Service has a range of policies and procedures that form part of its governance arrangements. These include rules on finance and procurement, a staff handbook which sets out HR policies and practices and a mandated system of risk management. All managers are required to be familiar with, promote and comply with these policies and procedures. As this statement shows, a good deal of work has been done, and is still in progress, to improve the House's governance and controls in key areas such as financial management, procurement and risk management.

Although the House of Commons Commission is the ultimate authority for the administration of the House, this Statement essentially relates to the remit of the Management Board. As Accounting Officer I am mindful of HM Treasury's guidance on the scope of the Governance Statement, as it

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<sup>9</sup> The House of Commons Members Estimate is the subject of a separate Governance Statement published with the House of Commons Members Resource Accounts.

<sup>10</sup> The Commission publishes its own Annual Report under s. 1(3) of the House of Commons Administration Act 1978.

applies to Government departments, but as the House's governance circumstances are different from those of Government departments, the content of this statement will therefore also differ.

The same is true of the extent to which the House administration is able to follow the Treasury's Corporate Governance Code. Significant variations from the Code include the fact that the Management Board is not equivalent to the single management board of a Whitehall department; the balance of executive and non-executive members is different; and there is no Nominations and Governance Committee. However I am content that the House administration's structure meets the overall objective of separating policy and operations, and that an element of non-executive challenge and scrutiny is available through the external members of the Audit Committee and the Management Board.

### **Work of the Management Board**

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The Board held twelve formal meetings during the year, supplemented by several informal meetings and workshops on specific themes. Agendas, papers and minutes (including details of attendance at formal meetings) are published on the Parliamentary web pages <http://www.parliament.uk/mps-lords-and-offices/offices/commons/management-board/>. There were two changes to the membership of the Board from 1 October 2011: Robert Rogers was appointed as Clerk of the House and Chair of the Board, and David Natzler joined the Board as Director General, Department of Chamber and Committee Services. A recruitment process for an additional external non-executive was completed in May 2012 following the appointment of Barbara Scott. The Board did not undertake a formal review of its effectiveness in 2011-12 but this is planned for 2012-13.

The Board monitors the performance of the organisation principally through its monthly consideration of data on performance against corporate KPIs and the status of Board-level risks.<sup>11</sup> This monthly report also includes information on risk and performance issues escalated from Departments, and for investment programmes and projects, accompanied by commentary from Heads of Department. Data received from Departments and investment programmes is reviewed by the Management Board secretariat. The Board also receives information on the effectiveness of business resilience from the bicameral Business Resilience Group; an annual report on assurance reviews of major programmes and projects; the findings from regular surveys of Members of Parliament and of staff; and rolling Investment in People (IiP) reviews. In 2011-12 the Board introduced a new monthly Corporate Performance and Risk report, accompanied by a more rigorous approach to reporting performance by Departments, which has led to an improvement in the quality of information provided to the Management Board. The quality of management information will further improve in 2012-13 with the introduction of the new HAIS system and more robust data about programmes and projects from the Portfolio Office.

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<sup>11</sup> A full list of KPIs is published in the Board's Corporate Plan for 2011-12



## Risks

The Management Board reviewed its high-level risks during the spring of 2011 and agreed that from 2011-12 the following key risks should be managed and monitored at Board level:

<b>Risk</b>	<b>Description</b>
Relations with Member bodies	The ineffective management of relationships with Member bodies: <ul style="list-style-type: none"> <li>• Commission;</li> <li>• Speaker; and</li> <li>• Finance and Services Committee</li> </ul> will impact on the House Service's ability to achieve its strategic goals.
Relations with the House of Lords	The possibility that differing interests between the two Houses may limit the ability of the House of Commons Service to achieve its strategic goals.
Reputational issues	The House suffers a loss of reputation due to ineffective or inadequate actions by the House Service.
Capability and capacity	The House Service does not have the right capability or capacity (including effective prioritisation mechanisms) to deliver its strategic goals.
Staff morale	Low staff morale limits the ability of the House Service to achieve its strategic goals
Finance ( <i>added July 2012</i> )	The ineffective prioritisation and management of financial resources will impact on the House Service's ability to achieve its strategic goals.

The Board also has visibility of risks managed at departmental level, which are also escalated to the Board for action as necessary under the system of risk management.

The Management Board adopted a revised Risk Management Policy and Strategy in May 2011, setting out clear management roles and responsibilities for the House Service, including the application of the 'single platform' risk management governance model which works on the premise that risk is managed at the most appropriate level within the organisation. The Risk Management System is reviewed annually by Internal Audit. The most recent Internal Audit review (April 2012) reported an improvement in the level of assurance provided on both the design and operating effectiveness of the risk management system currently in place, while identifying further work to be done on embedding the system of risk management.

## Review of effectiveness

### (i) The evidence base

I have obtained evidence of the organisation's effectiveness through a variety of means. The most important are: the annual letters of assurance from each Head of House department and PICT; separate letters of assurance on information security (from the Senior Information Risk Owner) and business resilience (from the Chair of the Business Resilience Group); the Head of Internal Audit's annual report and opinion; and advice and reports from the Audit Committee. In addition, account has been taken of the monthly corporate performance and risk reports and the findings of the survey of MPs about services provided to them by the House.

## (ii) Findings on effectiveness

*Financial management*

The creation of a new free-standing Department of Finance from April 2011 has helped focus work on improving financial management. Significant progress has been made in 2011-12, although there is more work to do to reach the required standard. A Financial Improvement Plan has been agreed and is being implemented.

During 2011-12, financial planning, budgetary control and in-year financial monitoring and reporting have improved, and more generally there has been a gradual shift in the financial management culture in the organisation, with changing spending behaviour and improved decision-making, driven to some extent by the Savings Programme.

New Finance and Procurement Rules were developed, and the HAIS (finance, HR and payroll) system was renewed and went live on 2 April 2012. The new system will provide improved management information. Although a counter-fraud policy and response plan had been in place in the past, the Management Board agreed in the year that a more pro-active approach to this risk was required and a funded programme of work has been agreed to develop and implement such a function in 2012-13.

Non-cash costs again gave rise to significant resource fluctuations towards the year end making it difficult to plan resource consumption accurately. Further work is being done to examine how such costs might be better controlled within the requirements of the accounting standards.

Capital expenditure in the year was significantly below the Estimate voted for it, primarily due to delays in a number of the larger projects, raising concerns over the effectiveness of capital planning and the implications of the delays on remedial work. Two of these relate to major programmes of work to address risks of the programme to modernise the Palace of Westminster (fire safety and mechanical & electrical services). Improvements in financial planning and scheduling are taking place as part of the Financial Improvement Plan, and new arrangements have been made for monitoring and escalating current risks where appropriate.

Further work will be undertaken in 2012-13 to:

- Further develop the medium term planning process;
- Deliver training to budget holders and improve the quality of forecasting, and to improve the challenge from the Finance Department and ensure corrective action is taken where necessary;
- Develop the approach to cost analysis and accounting for overheads, and work to improve the approach to value for money;
- Develop a better approach to investment decisions;
- Provide professional development for the finance community.

The Savings Programme has progressed well in 2011-12, and, following a consultation phase, all the major strands of work have now moved into implementation phase. There is effective governance in place to manage the programme. However, there is a requirement to identify further savings of £25m by 2014-15 and there is inevitably some risk in this until all the savings have been confirmed.

*Procurement*

Good progress has also been made on procurement in 2011-12, including addressing weaknesses identified by Internal Audit, but there is a significant amount of further work required to ensure that all contractual arrangements are being effectively managed with appropriate management expertise embedded in the organisation.

Improvements introduced during the year include the agreement of new procurement rules, a fresh mandate for the Commercial Services Directorate (CSD) from the Management Board, a review of the procurement function and the adoption of a two year procurement improvement plan. CSD will also establish a corporate policy for the management of contracts.

Work will continue in 2012-13 to deliver the procurement improvement plan, which will:

- Maintain the contracts database and use spend analysis to identify opportunities;
- Use procurement initiatives to drive out savings from existing contracts and new tenders, including amalgamation opportunities;
- Promote joint working with the House of Lords and active use of government networks;
- Improve contract management across the House Service.

There will be a need to manage procurement risk actively while the plan is being implemented.

### *Security*

An important step to improve the overall security of Parliament was the appointment in January 2012 of a bicameral Parliamentary Security Director with executive authority for security issues across Parliament. Users of the Estate continued to report a high sense of security. The key performance indicator 'satisfaction with security arrangements' exceeded its target of 80% satisfaction throughout 2011-12.

Information security is an increasingly important concern for Parliament and progress has been made in strengthening the controls which help ensure information is maintained securely. These include the Parliamentary protective marking scheme and Registers of Sensitive Information Assets (RSIAs). Departmental Information Risk Owners (DIROs) maintain registers of sensitive information assets (RSIAs) and information loss reports and engage with staff in raising awareness in this field. It is evident, however, that there is still some shortfall in reporting information loss, handling restricted access information appropriately and maintaining accurate and up to date RSIAs. Our knowledge of potential risks and issues has increased over the past twelve months and some of the risks themselves – particularly cyber risk – have increased. These risks are helpfully being mitigated by the appointment of the Parliamentary Security Director noted above. But more work is needed over the coming year and, given the growing cyber threat and the moves towards cloud and mobile computing, additional assurance will be required in future.

### *Business resilience*

There have been no major failures of our business resilience during the year. Some additional resource supported the coordination and development of Parliament's business resilience in response to early Internal Audit recommendations. Parliament was awarded the Certificate of Alignment to the industry Business Continuity standard (BS25999-2:2007) by the Cabinet Office and we conducted our annual test of the Incident Management Framework (IMF) on 2 March 2012. It is clear however, from the IMF exercise report and work by Internal Audit that more needs to be done, especially the need for a corporate business resilience plan for the whole of Parliament, in increasing staff awareness of their roles and responsibilities, in the structure and resourcing of our incident management system, and on our plans for emergency relocation. Further work will be undertaken through the Business Resilience Group to address these issues, with the aim of Parliament aligning to the new international standard for Organisational Resilience (ISO 22301) by 2013.

### *Estates issues*

I have included estates issues in this statement because the upkeep of the historic Palace of Westminster is one of our largest costs and the Palace is one of the country's most iconic buildings within a World Heritage site. I am also conscious of my statutory responsibilities for compliance with fire safety and environmental regulations.

The Management Board has visibility of the high-level risk relating to fire safety, which is managed at departmental level. The occupied premises are compliant with relevant fire safety legislation but further work is required to bring the premises and training of all site users up to modern standards. The Crown Premises Inspection Group has confirmed a range of improvements needed on fire safety and has been informed of, and is satisfied with, the progress being made. I am satisfied that adequate plans are in place to improve the situation within a reasonable timescale, including through awareness-raising with Members and staff.

During the year work has been undertaken to improve the environmental performance of the Estate, including renegotiation of our waste management contract. However, there are several areas of non-compliance with statutory requirements. An action plan to address these deficiencies is being implemented.

I have concerns about the shortage of qualified engineers and project leaders in the Parliamentary Estates Directorate (PED). Interim and permanent recruitment is continuing but is hampered by salary levels and a lack of suitable applicants. A resourcing plan for the PED has been agreed which should in the next few months increase our ability to complete key programmes.

A longer-term and more wide-ranging solution to the maintenance and modernisation of the Estate is needed. The Commission agreed in 2011-12 to the Board carrying out a major study investigating the long-term future of the Estate including the arguments for, and implications of, a full or partial decant of the historic Palace, as well as other methods for ensure the effective upkeep of the Palace. An initial report will be brought to the Commission in the first half of 2012-13, with the intention that decisions in principle could be taken in 2013.

#### *Staffing issues*

The Management Board recognises that staff are the key resource in running the organisation and delivering its objectives. This is reflected in the two Board-level risks relating to staff morale and organisational capability. During the year the Board paid particular attention to staff morale, given the range and impact of change initiatives in progress, especially the Savings Programme, reductions in staff numbers through voluntary exits and the impact of external factors such as changes in pension entitlements. Results from the most recent survey of staff suggest that, overall staff remain proud to work for the House but there are continuing concerns about morale in certain areas, reflected in commentary from Heads of Department. The Board is also aware of resourcing challenges in PICT and PED, where it has proved difficult to recruit certain specialist staff. These problems have not so far prevented the organisation from continuing to meet its high level objectives, but I remain concerned about the potential impact in the future.

Several initiatives were undertaken during the year to address such issues. The new Department of Human Resources and Change came into operation on 1 April 2011 bringing together in one place responsibilities for recruitment and learning and development. The department also includes a new Change Directorate to assist staff at all levels in delivering effective change management. Work continued on the HR PPP programme which seeks to address concerns over perceived inequalities in reward and conditions across the House service. A further Voluntary Exit Scheme was run in the context of the Savings Programme, allowing the House Service to reduce staff numbers while avoiding compulsory redundancies.

The Respect Policy governing relations between staff and Members was agreed with the Commission and a whole-scale rewriting of the Staff Handbook was undertaken; and will come into effect in the first part of 2012-13. The Commission also agreed a new Diversity and Inclusion Strategy for House staff and I underlined my own commitment to these issues by taking on the role of Diversity Champion when I took up my post. The Board also agreed in principle to develop a wide-ranging people strategy during 2012-13.

Developing our staff so that we grow the required capacity remains crucial. The new Leading for Parliament (L4P) programme for senior management was agreed and developed during the year and the first cohorts will take part in the training modules during 2012-13. More needs to be done to improve the quality of our learning and development and I expect management actions in response to

the most recent Internal Audit review of the issue to bring about significant improvement. The Board has continued to engage with staff through all-staff meetings, regular events for senior leaders and our annual survey of staff. As the organisation takes forward these strands of work, I will bear in mind the need to avoid “initiative overload”, and also ensure that staff and their representatives are able effectively to engage with, and help develop, HR-related activities.

***Robert Rogers***  
**Accounting Officer**  
**9 July 2012**

## 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 2012. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, the Cash Flows, Changes in Taxpayers' Equity, and the related notes. I have also audited the Statement of Parliamentary Supply 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, certify and report on the financial statements. I conducted my audit in accordance with 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 and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. For the House of Commons: Administration, the voted Parliamentary control totals are all equivalent to Departmental Expenditure Limits (Resource and Capital) and the Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

### Opinion on Regularity

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In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012, and shows that those totals have not been exceeded; and
- the expenditure and income 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.

**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 of Commons: Administration as at 31 March 2012 and of its net operating cost 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 and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- The Governance Statement does not reflect House of Commons application of best practice, 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: 11 July 2012

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

## Statement of Parliamentary Supply

## Summary of Resource and Capital Outturn 2011-12

	Note	Estimate			2011-12 Outturn			2010-11 Outturn	
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/ (excess) <sup>12</sup>	
		£000	£000	£000	£000	£000	£000		Total £000
<b>Departmental Expenditure Limit equivalent</b>									
- Resource	2.1	208,400	-	208,400	201,187	-	201,187	7,213	169,726
- Capital	2.2	20,000	-	20,000	9,357	-	9,357	10,643	14,509
<b>Total</b>		<b>228,400</b>	-	<b>228,400</b>	<b>210,544</b>	-	<b>210,544</b>	<b>17,856</b>	<b>184,235</b>

## Net cash requirement 2011-12

Note	2011-12 Estimate		2011-12 Outturn		2010-11 Outturn
	£000		£000		£000
4	<b>193,300</b>		<b>189,174</b>	4,126	180,581

## Administration Costs 2011-12

2011-12 Estimate		2011-12 Outturn		2010-11 Outturn
£000		£000		£000
	<b>208,400</b>		<b>201,187</b>	169,726

Figures in the area outlined in bold are voted totals or other totals subject to Parliamentary control. For Estimate purposes, all the House's expenditure is classified as administration.

<sup>12</sup> Explanations of variances between the Estimate and Outturn are given in the Management Commentary (Page 8).



## Statement of Comprehensive Net Expenditure for the Year ended to 31 March 2012

	Note	2011-12 £000	2010-11 £000
<b>Administration Costs</b>			
Staff Costs	7	86,054	87,845
Other costs	8	123,816	88,386
Grants paid	9	2,568	3,100
Income	10	(11,251)	(9,605)
<b>Net Operating Cost for the year ended 31 March 2012</b>	2	<b>201,187</b>	<b>169,726</b>
Total expenditure		212,438	179,331
Total income		(11,251)	(9,605)
<b>Net Operating Cost for the year ended 31 March 2012</b>		<b>201,187</b>	<b>169,726</b>

## Other Comprehensive Net Expenditure

		2011-12 £000	2010-11 £000
Net (gain)/loss:			
- revaluation of Property, Plant and Equipment	6.1	(22,321)	21,058
- pension liabilities due to changes in actuarial assumptions	19a	13,300	(28,900)
<b>Total Comprehensive Expenditure for the year ended 31 March 2012</b>		<b>192,166</b>	<b>161,884</b>

**Statement of Financial Position**

as at 31 March 2012

		31 Mar 2012		31 Mar 2011	
	Note	£000	£000	£000	£000
<b>Non-current assets:</b>					
Property, plant and equipment	11	875,011		836,680	
Intangible assets	13	913		640	
<b>Total non-current assets</b>			<b>875,924</b>		<b>837,320</b>
<b>Current assets:</b>					
Inventories	15	519		341	
Trade and other receivables	16	11,505		11,969	
Cash and cash equivalents	17	3,599		4,204	
<b>Total current assets</b>			<b>15,623</b>		<b>16,514</b>
<b>Total assets</b>			<b>891,547</b>		<b>853,834</b>
<b>Current liabilities</b>					
Trade and other payables	18	(19,193)		(25,799)	
<b>Total current liabilities</b>			<b>(19,193)</b>		<b>(25,799)</b>
<b>Total assets less current liabilities</b>			<b>872,354</b>		<b>828,035</b>
<b>Non-current liabilities</b>					
Provisions	19a, 19b	(474,486)		(429,802)	
<b>Total non-current liabilities</b>			<b>(474,486)</b>		<b>(429,802)</b>
<b>Total Assets less liabilities</b>			<b>397,868</b>		<b>398,233</b>
<b>Taxpayers' equity and other reserves:</b>					
General fund		235,825		255,640	
Revaluation reserve		158,638		138,833	
House of Commons Commission reserve	17	3,405		3,396	
Donated asset reserve		-		364	
<b>Total equity</b>			<b>397,868</b>		<b>398,233</b>

**Robert Rogers**  
Accounting Officer  
9 July 2012

## Statement of Cash Flows

for year ended 31 March 2012

		2011-12	2010-11
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net operating cost	3	(201,187)	(169,726)
Adjustments for non-cash transactions	7,8	35,471	6,162
(Increase)/Decrease in trade and other receivables	16	464	(1,070)
(Increase)/Decrease in inventories	15	(178)	65
Increase/(Decrease) in trade payables	18	(6,606)	5,593
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	18	614	285
Use of provisions	19a, 19b	(8,303)	(7,402)
<b>Net cash outflow from operating activities</b>		<b>(179,725)</b>	<b>(166,093)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(8,933)	(14,148)
Purchase of intangible assets	13	(516)	(361)
Proceeds of disposal of property, plant and equipment		-	21
<b>Net cash outflow from investing activities</b>		<b>(9,449)</b>	<b>(14,488)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year	4	188,761	180,200
Interest received on HoCC Reserve Balance	4	9	7
<b>Net financing</b>		<b>188,770</b>	<b>180,207</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>(404)</b>	<b>(374)</b>
Receipts due to the Consolidated Fund which are outside the scope of the House of Commons' activities	4	-	201
Payments of amounts due to the Consolidated Fund	4	(201)	(105)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>(605)</b>	<b>(278)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	17	<b>4,204</b>	<b>4,482</b>
<b>Cash and cash equivalents at the end of the period</b>	17	<b>3,599</b>	<b>4,204</b>

**Statement of Changes in Taxpayers' Equity**

for the year ended 31 March 2012

	Note	General Fund £000	Revaluation Reserve £000	Commission Reserve £000	Donated Asset Reserve £000	Total Reserves £000
<b>Balance at 31 March 2010</b>		<b>213,337</b>	<b>162,339</b>	<b>3,389</b>	<b>364</b>	<b>379,429</b>
Net Parliamentary Funding – drawn down	4	180,200	-	-	-	180,200
Net Parliamentary Funding – deemed		988	-	-	-	988
Supply (payable)/receivable adjustment	18	(607)	-	-	-	(607)
Comprehensive Expenditure for the Year		(169,726)	-	-	-	(169,726)
<b>Non-Cash Adjustments</b>						
Non-cash charges – auditor's remuneration	8	100	-	-	-	100
<b>Movement in Reserves</b>						
Additions		-	-	7	-	7
Recognised in Statement of Comprehensive Expenditure		28,900	(21,058)	-	-	7,842
Transfers between reserves		2,448	(2,448)	-	-	-
<b>Balance at 31 March 2011</b>		<b>255,640</b>	<b>138,833</b>	<b>3,396</b>	<b>364</b>	<b>398,233</b>
Net Parliamentary Funding – drawn down	4	188,761	-	-	-	188,761
Net Parliamentary Funding - deemed	18	607	-	-	-	607
Supply (payable)/receivable adjustment	18	(194)	-	-	-	(194)
Comprehensive Expenditure for the year		(201,187)	-	-	-	(201,187)
<b>Non-Cash Adjustments</b>						
Non-cash charges – auditor's remuneration	8	100	-	-	-	100
<b>Movement in Reserves</b>						
Additions		2,518	-	9	-	2,527
Recognised in Statement of Comprehensive Expenditure		(13,300)	22,321	-	-	9,021
Transfers between reserves		2,880	(2,516)	-	(364)	-
<b>Balance at 31 March 2012</b>		<b>235,825</b>	<b>158,638</b>	<b>3,405</b>	<b>-</b>	<b>397,868</b>

## Notes to the Accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2011-12 *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 policy which is judged to be the most appropriate to give a true and fair view has been selected. The particular policies adopted by the House of Commons 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 re-valued 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 between the House of Commons (60%) and the House of Lords (40%) 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 (40%) and House of Lords (60%).

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 2011-12).

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

#### 1.3 Property, plant and equipment

##### **Property**

In accordance with International Accounting Standards (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 Statement of Comprehensive Net Expenditure 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 Clerk of the House).

The whole of the parliamentary estate was re-valued by the VOA as at 31 March 2012.

**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, 10 and 11 Bridge Street, 49 and 50 Parliament 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, contemporary furniture and other equipment are recognised at depreciated historic cost due to short life and / or low value. Although the capitalisation threshold is £1,000, desktop computers, monitors and printers below £1,000 are considered to be grouped assets and therefore are capitalised.

**Plant and machinery**

Plant and machinery includes the Great Clock mechanism and Department of Facilities catering equipment and vehicles. The Great Clock was re-valued using appropriate indices at 31 March 2006. Consideration was given to undertaking a revaluation in 2011-12, but it was considered not cost effective given the unique nature of the asset. Catering equipment and vehicles are not re-valued.

**1.4 Donated assets**

Donated assets are capitalised at fair value with the credit entry made to income.

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 Heritage Assets**

The introduction of a new financial reporting standard during 2010-11 (FRS30: Heritage Assets) requires organisations to provide additional information, within the financial statements, of any heritage assets held by them as at 31 March 2012. The standard defines Heritage Assets as:

*'A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.'*

Each category of heritage asset held by the House of Commons, along with their applicable accounting policy is detailed below. Further information regarding asset management policies can be found in Note 12.

**Antique furniture and Speaker's silver**

The House's collection of antique furniture and the Speaker's silver is reported in the Statement of Financial Position at market value. The furniture collection consists mainly of historical furniture, silver, clocks and ceramics. Due to the importance of these collections, all assets have been capitalised regardless of their individual value.

Antique furniture and the Speaker's silver are re-valued every five years, of which the last professional valuation was carried out in February 2010 by Paul Davidson MRICS (Bonhams). Each year the Furniture Manager in the Parliamentary Estates Directorate carries out an internal review to assess if any material revaluation adjustment is required.

It is the House's policy to maintain its collection of antique furniture and Speaker's silver in full working order and maintenance costs are charged to the Statement of Comprehensive Net Expenditure when incurred. Both the antique furniture collection and the Speaker's silver are deemed to have indeterminate lives and as such the House does not consider it appropriate to charge depreciation.

**Parliamentary Art Collection**

The Parliamentary Art Collection is the national collection of art relating to the history of Parliament. It contains images of

important parliamentary events past and present, and includes the murals, mosaics and tapestries within the Palace of Westminster. There is also a collection of medals with associations to former parliamentarians.

For valuation purposes, the parliamentary art collection is divided into two categories; those items held as at 31 March 2000 and those items acquired since that date. The value of the Parliamentary Art Collection at 31 March 2000 is not currently included on the Statement of Financial Position due to the diverse nature of the assets and the large volume of items held by the House. To obtain a value for a collection of this size and diversity would be costly. The benefit received by a valuation exercise at this time would not justify the expense incurred. However, this position will be reviewed during 2012-13.

Acquisitions since 1 April 2000 have either been made by purchase or donation. Purchases are recorded at cost and donations are recorded at current value ascertained by the House's Curator with reference where possible, to commercial markets using recent transaction information from auctions.

It is the House's policy to maintain its collection of parliamentary art and any maintenance costs incurred are charged to the Statement of Comprehensive Net Expenditure when incurred. The Parliamentary Art Collection is deemed to have indeterminate lives and as such the House do not therefore consider it appropriate to charge depreciation.

### ***Antiquarian books***

Almost all the House of Commons Library's books were acquired after the 1834 fire in the Palace of Westminster, when most of the earlier stock was lost. During the second half of the nineteenth century, there was a deliberate policy of acquiring books that would have been found in a country house library of that period. As a result, the Library acquired through a mixture of purchase, gifts and legacies a wide-ranging collection of books, including some that are now of considerable antiquarian or scholarly interest.

The House of Commons antiquarian book collection was moved to the British Museum in June 2003 when the restoration of the King's Library was finished. The Library has retained at Westminster any books with parliamentary connections or which might be needed for its normal services for MPs. All the books that have been moved to the British Museum remain in the Library's catalogue and can be used at Westminster if required. They also appear in the in the Central Library catalogue of the British Museum, who are responsible for routine conservation, and are available under supervision for public use in the Museum.

The value of the antiquarian books held by the British Museum is not included on the Statement of Financial Position.

### ***The Speaker's state coach***

The Speaker's state coach is a seventeenth century gilt wood and painted carriage on which some restoration work was undertaken in 2007-08. It is not in a roadworthy condition and has been put on public display at Arlington Court (National Trust Carriage Museum).

The value of the Speaker's state coach is not currently included on the Statement of Financial Position as a reasonable estimate of its value could not be obtained.

### ***Broadcasting archives***

The broadcasting archive consists of audio and video tape recordings of broadcast coverage from the Chambers in both Houses and also Committees selected by the broadcasters. Currently these are produced on Beta SX broadcast format tape media and are stored for about two years on site at 7 Millbank. After this period they are then transferred to a specialist archive facility run by the British Film Institute (BFI) at Berkhamstead. The BFI are acknowledged as being the leader in broadcast tape preservation and storage in the United Kingdom. Parliament has a contract to store the large number of tapes in a climatically controlled storage environment indefinitely. Currently they hold approximately 38,000 video tapes and approximately 36,000 audio tapes (from before 1989 when televising started).

The archive is valuable in an historical sense but is difficult to quantify in practice. The content is made freely available as duplicated copies on video tapes to anyone who orders it. Consequently, the value for this archive is not included on the Statement of Financial Position.

### ***Parliamentary Archives***

The Parliamentary Archives comprise 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, consequently it is not deemed cost effective to obtain a value.

The Parliamentary Archives who provide the service were established within the House of Lords in 1946. The administration costs of this service have been shared with the House of Commons since 1999. Any operational assets

held by the Parliamentary Archives are disclosed within the House of Lords Resource Accounts. The Parliamentary Archives publishes an Annual Report which is available via [www.parliament.uk](http://www.parliament.uk). Full details of the Parliamentary Archives acquisition policy are also available at this web address.

### **Ceremonial items**

The House's collection of ceremonial items consists of four swords used by the Speaker's Office.

The value of the ceremonial items is not currently included on the Statement of Financial Position as it is not deemed practical to do so.

### **Architectural salvage and estate archives**

The architectural salvage collection consists of examples of architectural fragments from the Parliamentary Estate such as pieces of decorative stonework and wood carving. Many of these pieces have been retained to provide a record of the craftsmanship used in the Palace and Estate buildings throughout their life. Cost information is not readily available and the benefit of obtaining valuations would not justify the cost, therefore it has not been recognised in the Statement of Financial Position.

The Estate Archive consists of the Parliamentary Estate Directorate's permanent records such as plans and drawings which are not recognised in the Statement of Financial Position because cost information is not readily available and the benefit of obtaining valuations would not be cost effective. Nearly all the items are thought to have nominal financial value and no item is worth more than £1,000.

## **1.6 Depreciation**

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

Depreciation is charged on a straight line basis. The period over which to depreciate property assets is advised by the Valuation Office Agency (VOA). The rates adopted are calculated to write off the valuation of freehold buildings, 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 and intangible are in the following ranges:

<b>Property:</b>	<b>Years</b>
Land	not applicable
Palace of Westminster	83
Freehold property (excluding Portcullis House)	20-41
Portcullis House	49
Leasehold property	14-38
<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
Computer file servers	5
Computer equipment (excluding file servers)	4-5
Broadcasting equipment	10



Telephone equipment	5
Intangible assets	5

### 1.7 Intangible assets

Intangible non-current assets are primarily software licences and other ICT enhancements provided by third parties costing in excess of £1,000. These are capitalised and amortised over the expected useful life of the asset.

### 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, at 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 Foreign exchange

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

### 1.13 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. Further details are provided in Note 19.

### 1.14 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.

### 1.15 Leases

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

### 1.16 Private Finance Initiative (PFI) transactions

The House of Commons has no PFI transactions.

### 1.17 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 2011-12.

**1.18 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.

**1.19 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.

**1.20 Third party assets**

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

**1.21 Segmental Reporting**

The analysis provided at Note 6 meets the reporting requirement of International Financial Reporting Standard, Operating Segments (IFRS 8).

**1.22 House of Commons Commission Reserve**

Under the powers provided by the House of Commons (Administration) Act 1978 as amended by the Government Resources and Accounts Act 2000, the House of Commons Commission has established a reserve for any excess income generated. Agreement of the Commission is required before any sums can be drawn down. Further details are provided at Note 18.

**2. Net outturn****2.1 Analysis of net resource outturn**

		2011-12			2010-11	
		Outturn		Estimate	Outturn	
	Gross	Income	Net	Net	Net total compared to Estimate	
	£000	£000	£000	£000	£000	
					Total	
					£000	
Spending in Departmental Expenditure Limit equivalent	212,438	(11,251)	201,187	208,400	7,213	169,726

**2.2 Analysis of net capital outturn**

	2011-12		Estimate		2010-11	
	Outturn				Outturn	
	Gross £000	Income £000	Net £000	Net £000	Net total compared to Estimate £000	Total £000
Spending in Departmental Expenditure Limit equivalent	9,449	(92)	9,357	20,000	10,643	14,509

**3. Reconciliation of net resource outturn to net operating cost**

	2011-12	2010-11
	£000	£000
	Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply	201,187	169,726
Non-supply income (CFERs)	-	-
Net Operating Cost in Statement of Comprehensive Net Expenditure	201,187	169,726

**4. Reconciliation of Net Cash Requirement to increase/(decrease) in cash**

	2011-12	2010-11
	£000	£000
Net cash requirement	(189,174)	(180,581)
From the Consolidated Fund (Supply) – current year	188,761	180,200
Amounts due to the Consolidated Fund received in prior year and paid over	(201)	(105)
Amounts due to the Consolidated Fund received and not paid over	-	201
Interest received on HOCC Reserve balance	9	7
Increase/(decrease) in cash	(605)	(278)

## 5. Analysis of income payable to the Consolidated Fund

In addition to income retained by the House, the following income relates to the House and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Outturn 2011-12		Outturn 2010-11	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
	£000	£000	£000	£000
Excess cash surrenderable to the Consolidated Fund	-	-	201	201

## 6. Statement of Operating Costs by Operating Segment

Each of the House of Commons departments (or segments) report their resource spend separately on a monthly basis to the Management Board. Total Assets and net assets are managed and controlled at a corporate level.

The work of each department is described briefly below.

**Chamber and Committee Services (DCCS):** provides secretariat, advice, procedural, reporting and other services that support the work of the Chamber and committees, and supports the House's international relations. Until January 2012, it also had operational responsibility for security and certain grants paid to international parliamentary bodies.

**Facilities (DF):** provides the accommodation, logistics, catering, retail, estate and asset management, environmental management, fire safety and other facilities required by the House; and develops and maintains the infrastructure and fabric of the buildings of both Houses.

**Finance (DFin):** leads on financial management by setting policy and monitoring the use of resources; coordinates financial planning across the House, and provides corporate financial and commercial services to the House Service and other grant payments in support of parliamentary activities.

**Human Resources and Change (DHR&C):** supports the House Service in managing its staff capability, including recruitment, pay and conditions, learning and development, diversity, and change management.

**Information Services (DIS):** informs the work of the House and its Members; and seeks to engage the public in the work Parliament does.

**Parliamentary Information and Communications Technology (PICT):** a joint department with the House of Lords which provides information and communications technology services to both Houses of Parliament

In addition to the departments listed above there are a number of smaller offices, which for the purpose of this report are merged into one segment:

**The Office of the Chief Executive (OCE)** supports the Clerk of the House of Commons in his roles as Chief Executive, Accounting Officer and Corporate Officer, and provides assurance to him through risk management, business continuity planning and internal audit. It also supports the Management Board and coordinates strategic and business planning and performance management

**The Speaker's Office (SPK)** is responsible for supporting all aspects of the Speaker's duties which include the Chamber, appointments, honours and awards and representative matters. Staff in the Speaker's Office, help organise the Speaker's meetings, talks and visits to public groups, schools and colleges across the UK.

**The Parliamentary Security Director (PSD)** is responsible for the strategy, planning and overall delivery of security across the Parliamentary Estate, including the cyber threat. He chairs the Parliamentary Security Board.

**Project Provision (PP)** including the funding set aside for investment on ICT related Programmes and Projects.

**Central Provision (CP)** covers the pension interest on the historic pension liabilities and other centrally held funds

	2011-12									Total £000
	DCCS	DF	DFin	DHR&C	DIS	PICT	OCE/SPK & PSD	PP	CP <sup>13</sup>	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Gross Expenditure</b>	70,106	79,505	3,544	7,609	18,221	17,871	2,148	7,971	5,463	<b>212,438</b>
<b>Income</b>	(578)	(9,394)	(12)	(148)	(1,115)	(4)	-	-	-	<b>(11,251)</b>
<b>Net Expenditure</b>	<b>69,528</b>	<b>70,111</b>	<b>3,532</b>	<b>7,461</b>	<b>17,106</b>	<b>17,867</b>	<b>2,148</b>	<b>7,971</b>	<b>5,463</b>	<b>201,187</b>
<b>Total assets</b>										<b>891,547</b>
<b>Net assets</b>										<b>397,868</b>
	2010-11									Total £000
	DCCS	DF	DFin	DHR&C	DIS	PICT	OCE/SPK & PSD	PP	CP	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Gross Expenditure</b>	67,607	77,983	1,830	8,689	18,428	18,732	2,319	6,734	(22,991)	<b>179,331</b>
<b>Income</b>	(368)	(8,410)	-	(45)	(782)	-	-	-	-	<b>(9,605)</b>
<b>Net Expenditure</b>	<b>67,239</b>	<b>69,573</b>	<b>1,830</b>	<b>8,644</b>	<b>17,646</b>	<b>18,732</b>	<b>2,319</b>	<b>6,734</b>	<b>(22,991)</b>	<b>169,726</b>
<b>Total assets</b>										<b>853,834</b>
<b>Net assets</b>										<b>398,233</b>

## 6.1 Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure

	2011-12 £000	2010-11 £000
Total net expenditure per statement of comprehensive net expenditure by operating net segment	201,187	169,726
Net (gain)/loss on revaluation of Property, Plant and Equipment	(22,321)	21,058
Net (gain)/loss pension liabilities due to changes in actuarial assumptions	13,300	(28,900)
Total net expenditure per Statement of Comprehensive Net Expenditure	192,166	161,884

The revaluation of the Parliamentary Estate during the financial year resulted in a net gain of £42,663,000 reflecting an improvement in the property market and changes to the Tender Price Index used for interim valuations (TPI in 2011-12 was 230 up from 215 in 2010-11). The net revaluation gain of £42,663,000 has been allocated between the Revaluation Reserve (£22,321,000) and the Statement of Comprehensive Net Expenditure (£20,342,000).

<sup>13</sup> The 2011-12 Central Provision of £3.4 million is mainly comprised of Pension Interest (£24.0 million) less a technical accounting adjustment associated with the revaluation of the Estate (£20.3 million). The same figure for 2010-11 primarily included Pension Interest (£20.3 million) and other adjustments (£2.0 million) less a technical accounting adjustment for the change in pension indexation from RPI to CPI (£46.5 million).

## 7. Staff numbers and related costs

Staff costs comprise:

	2011-12	2010-11
	£000	£000
Wages and salaries	62,255	62,420
Social security costs	4,955	5,051
Other pension costs (non-cash)	13,270	16,297
Contributions to stakeholder pensions	119	136
<b>Sub Total</b>	<b>80,599</b>	<b>83,904</b>
Inward secondments/agency staff	6,242	5,493
<b>Sub Total</b>	<b>86,841</b>	<b>89,397</b>
Less recoveries in respect of outward secondments	(787)	(1,552)
<b>Total net costs</b>	<b>86,054</b>	<b>87,845</b>

Permanent staff 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 Statement of Comprehensive Net Expenditure in the annual accounts.

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.

For 2011-12 contributions of £13,270,000 were payable to the HOCSPS (2010 -11 £16,297,000) 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.

Employees joining after 1 October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £118,758 were paid to one or more of the panel of three appointed. 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 are 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.

Contributions due to the partnership pension providers at the balance sheet date were £15,747. The contributions prepaid at that date were nil.

No one retired early on ill health grounds during 2011-12 (2010-11: 3 persons) and there were no additional accrued pension liabilities in the year (2010-11: £94,000).

### 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:

	2011-12	2010-11
Average number ( <i>permanent staff</i> )	1,793	1,868
Average number ( <i>agency staff</i> )	36	35

The decrease in the number of staff reflects the savings programme together with a voluntary exit scheme in March 2012.

## 7.1 Compensation schemes – exit packages

Exit package cost	<sup>14</sup> Number of compulsory redundancies	<sup>14</sup> Number of other departures agreed
<£10,000	- (-)	17 (9)
£10,000 - £25,000	- (-)	36 (22)
£25,000 - £50,000	- (-)	18 (16)
£50,000 - £100,000	- (-)	6 (6)
£100,000 - £150,000	- (-)	2 (2)
£150,000 - £200,000	- (-)	2 (3)
<b>Total number of exit packages by type</b>	- (-)	81 (58)
<b>Total Resource cost ( £ )</b>	- (-)	<b>2,219,070 (2,078,817)</b>

Where the House has paid compensation this mirrors the provisions of the Civil Service Compensation scheme. Payments are accounted for in full in the year of departure.

Where the department has agreed early retirements, the additional costs are met by the House and not by the House of Commons Staff Pension scheme. Ill-health retirement costs are not included in the table.

<sup>14</sup> Prior year figures are in brackets.

## 8. Other Administration Costs

		2011-12		2010-11	
	Note	£000	£000	£000	£000
<b>Rentals under operating leases</b>					
Buildings rental		10,521		10,731	
Other rental		421		418	
<b>Subtotal</b>			<b>10,942</b>		<b>11,149</b>
<b>Non-cash items</b>					
Depreciation	11	15,653		15,530	
Amortisation	13	331		229	
(Profit)/loss on disposal of property, plant & equipment		42		121	
Net (gain)/loss on revaluation of property, plant and equipment	6.1	(20,342)		(3,740)	
Auditors' remuneration and expenses <sup>15</sup>		100		100	
Interest cost	19a	24,000		20,300	
Past Service cost	19a	-		(46,500)	
Provision provided for in year	19b	2,417		3,824	
Borrowing Costs (Unwinding of discount ) on provisions	19b	-		1	
<b>Total non-cash items</b>			<b>22,201</b>		<b>(10,135)</b>
Accommodation services		24,543		23,796	
Security		21,726		21,798	
Information		13,209		13,128	
Computer maintenance		7,576		6,836	
Communications		6,100		6,094	
Finance and specialist services		6,040		6,084	
Catering and other supplies		3,965		3,837	
Travel and subsistence		2,882		1,981	
Other staff costs		2,855		2,400	
Office supplies		1,234		1,235	
Broadcasting		543		183	
			<b>90,673</b>		<b>87,372</b>
<b>Grand Total</b>			<b>123,816</b>		<b>88,386</b>

<sup>15</sup> Auditors have received no remuneration for non audit work



**9. Grants paid**

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Commonwealth Parliamentary Association (UK Branch)	1,167	1,023
History of Parliament Trust	1,061	1,179
Inter Parliamentary Union (British Group)	265	685
British American Parliamentary Group	69	77
Association of Former Members of Parliament	6	6
British Irish Parliamentary Assembly	-	130
	<b>2,568</b>	<b>3,100</b>

**10. Income**

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Receipts from sales	10,093	8,749
Rental receipts and associated charges	986	817
Other receipts	94	15
Donated Asset	68	-
Fees on private bills	10	24
	<b>11,251</b>	<b>9,605</b>

## 11. Property, plant and equipment

2011-12

	Land & Buildings excluding dwellings	Dwellings	Heritage Assets	Furniture & Fittings	Plant and Machinery	Equipment and computers	Payments on Account & Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
As at 1 April 2011	1,311,306	9,568	17,780	3,568	2,635	25,715	106	1,370,678
Additions	7,714	-	19	311	123	666	32	8,865
Donations <sup>16</sup>	-	-	68	-	-	-	-	68
Disposals	-	-	-	(541)	-	(346)	-	(887)
Reclassifications	(1,444)	(28)	-	-	-	-	3,884	2,412
Revaluations <sup>17</sup>	75,317	1,458	-	-	-	-	-	76,775
<b>At 31 March 2012</b>	<b>1,392,893</b>	<b>10,998</b>	<b>17,867</b>	<b>3,338</b>	<b>2,758</b>	<b>26,035</b>	<b>4,022</b>	<b>1,457,911</b>
<b>Depreciation</b>								
At 1 April 2011	513,008	-	-	2,010	419	18,561	-	533,998
Charge in the year	12,185	228	-	322	145	2,773	-	15,653
Disposals	-	-	-	(541)	-	(322)	-	(863)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	34,112	-	-	-	-	-	-	34,112
<b>At 31 March 2012</b>	<b>559,305</b>	<b>228</b>	<b>-</b>	<b>1,791</b>	<b>564</b>	<b>21,012</b>	<b>-</b>	<b>582,900</b>
<b>Carrying amount at 31 March 2011</b>	<b>798,298</b>	<b>9,568</b>	<b>17,780</b>	<b>1,558</b>	<b>2,216</b>	<b>7,154</b>	<b>106</b>	<b>836,680</b>
<b>Carrying amount at 31 March 2012</b>	<b>833,588</b>	<b>10,770</b>	<b>17,867</b>	<b>1,547</b>	<b>2,194</b>	<b>5,023</b>	<b>4,022</b>	<b>875,011</b>

## Analysis of land and buildings

Analysed into freehold, improvements to short leasehold and investments

	Land		Buildings		Total
	Freehold	Freehold	Improvements to short leasehold	Investments	
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
At 1 April 2011	98,307	1,197,524	4,930	10,545	1,311,306
Additions	-	7,285	429	-	7,714
Reclassifications	(997) <sup>18</sup>	(2,965) <sup>18</sup>	-	2,518 <sup>19</sup>	(1,444)
Revaluations	13,018	58,791	-	3,508	75,317
<b>At 31 March 2012</b>	<b>110,328</b>	<b>1,260,635</b>	<b>5,359</b>	<b>16,571</b>	<b>1,392,893</b>
<b>Depreciation</b>					
At 1 April 2011	-	512,013	995	-	513,008
Charge in the year	-	11,797	388	-	12,185
Reclassifications	-	-	-	-	-
Revaluations	-	34,112	-	-	34,112
<b>At 31 March 2012</b>	<b>-</b>	<b>557,922</b>	<b>1,383</b>	<b>-</b>	<b>559,305</b>
<b>Carrying amount at 31 March 2011</b>	<b>98,307</b>	<b>685,511</b>	<b>3,935</b>	<b>10,545</b>	<b>798,298</b>
<b>Carrying amount at 31 March 2012</b>	<b>110,328</b>	<b>702,713</b>	<b>3,976</b>	<b>16,571</b>	<b>833,588</b>

<sup>16</sup> Includes donation of four portraits worth £68,000 from the Speaker's Art Fund.

<sup>17</sup> Land and Buildings were valued in March 2012 by Marc Seabrook, FRICS of Valuation Office Agency.

<sup>18</sup> The reclassification from Freehold Land (£997,000) and Buildings (£2,992,000) to Assets under the Course of Construction reflects the temporary suspension of use and refurbishment of 53Parliament Street.

<sup>19</sup> The reclassification of £2,518,000 into Investment Properties is a result of 10 Bridge Street being held to earn rental income, with the increase in value has been credited to the General Fund.

## 2010-11

	Land & Buildings excluding dwellings	Dwellings	Heritage Assets	Furniture & Fittings	Plant and Machinery	Equipment and computers	Payments on Account & Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
As at 1 April 2010	1,346,947	9,290	17,729	4,590	2,731	27,762	-	1,409,049
Additions	11,758	-	51	179	21	2,033	106	14,148
Disposals	-	-	-	(1,201)	(117)	(4,080)	-	(5,398)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations <sup>20</sup>	(47,399)	278	-	-	-	-	-	(47,121)
<b>At 31 March 2011</b>	<b>1,311,306</b>	<b>9,568</b>	<b>17,780</b>	<b>3,568</b>	<b>2,635</b>	<b>25,715</b>	<b>106</b>	<b>1,370,678</b>
<b>Depreciation</b>								
At 1 April 2010	530,827	-	-	2,858	400	19,442	-	553,527
Charge in the year	11,785	199	-	353	136	3,057	-	15,530
Disposals	-	-	-	(1,201)	(117)	(3,938)	-	(5,256)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(29,604)	(199)	-	-	-	-	-	(29,803)
<b>At 31 March 2011</b>	<b>513,008</b>	<b>-</b>	<b>-</b>	<b>2,010</b>	<b>419</b>	<b>18,561</b>	<b>-</b>	<b>533,998</b>
<b>Carrying amount at 31 March 2010</b>	<b>816,120</b>	<b>9,290</b>	<b>17,729</b>	<b>1,732</b>	<b>2,331</b>	<b>8,320</b>	<b>-</b>	<b>855,522</b>
<b>Carrying amount at 31 March 2011</b>	<b>798,298</b>	<b>9,568</b>	<b>17,780</b>	<b>1,558</b>	<b>2,216</b>	<b>7,154</b>	<b>106</b>	<b>836,680</b>

**Analysis of land and buildings**

Analysed into freehold, improvements to short leasehold and investments

	Land		Buildings		Total
	Freehold	Freehold	Improvements to short leasehold	Investments	
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
At 1 April 2010	91,748	1,243,469	3,090	8,640	1,346,947
Additions	-	9,918	1,840	-	11,758
Disposals	-	-	-	-	-
Reclassifications	997	(2,567)	-	1,570	-
Revaluations	5,562	(53,296)	-	335	(47,399)
<b>At 31 March 2011</b>	<b>98,307</b>	<b>1,197,524</b>	<b>4,930</b>	<b>10,545</b>	<b>1,311,306</b>
<b>Depreciation</b>					
At 1 April 2010	-	530,183	644	-	530,827
Charge in the year	-	11,434	351	-	11,785
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
Revaluations	-	(29,604)	-	-	(29,604)
<b>At 31 March 2011</b>	<b>-</b>	<b>512,013</b>	<b>995</b>	<b>-</b>	<b>513,008</b>
<b>Carrying amount at 31 March 2010</b>	<b>91,748</b>	<b>713,286</b>	<b>2,446</b>	<b>8,640</b>	<b>816,120</b>
<b>Carrying amount at 31 March 2011</b>	<b>98,307</b>	<b>685,511</b>	<b>3,935</b>	<b>10,545</b>	<b>798,298</b>

<sup>20</sup> Land and Buildings were valued in March 2011 by Peter Snow, FRICS of Valuation Office Agency.

## 12. Heritage assets

### *Antique furniture and Speaker's silver*

The collection consists of:

	House of Commons Number	Shared with House of Lords Number
Clocks	98	6
Silver (non Speaker's silver)	67	-
Furniture	3,639	1,782
Other	198	10
<b>Total</b>	<b>4,002</b>	<b>1,798</b>
Speaker's silver	1,098	-

Many of the items are in continual use throughout the estate. Some of the items are in storage; both on-site and held by a third party in secured off-site storage facilities.

The House's detailed management, preservation, disposal and access policy are in the process of being drafted. Subject to the approval of the House, the Furniture Manager in the Parliamentary Estates Directorate may dispose of items from the collection, although this will only happen in exceptional circumstances. The vast majority of items in the collection were acquired over forty years ago.

The value of the Antique furniture, £13,716,730, is included on the Heritage Asset Group in Note 11.

The value of the Speaker's silver, £2,537,485, is included on the Heritage Asset Group in Note 11.

### **Parliamentary Art Collection**

The collection has over 8,000 works of art, over 80% of which are on display throughout the buildings of the Parliamentary Estate. The earliest pieces date from the mediaeval age, with major holdings dating from the 18<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> centuries, and significant contemporary holdings also. Although historically a single collection of art for the Palace of Westminster, in 1992 the Parliamentary Art Collection was divided between the two Houses, with each House assuming ownership responsibilities for their share.

The collection comprises the following categories:

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

Acquisitions since 1 April 2000 have either been made by purchase or donation, the value of which is included in the Heritage asset group in note 11, £1,613,065.

During the year, the House of Commons agreed to take on responsibility for the repair and maintenance of the Henry Moore sculpture, 'Knife Edge – Two Piece' which is located on Abingdon Green. The transfer of the asset to the House of Commons was agreed with the Department of Culture, Media and Sport and completed on 5 December 2011.

The Parliamentary Art collection is managed by the House's Curator, who is responsible for all aspects of the management, care, conservation, preservation and interpretation of the Parliamentary Art Collection at the Palace of Westminster in accordance with the policies that are approved by the Works of Art Advisory committee. Further details, including examples of some of the artwork, can be found on the 'Art in Parliament' website at [www.parliament.uk](http://www.parliament.uk).

The Advisory Committee seeks to collect works of art for the House of Commons Collection which fall into one or more of the following categories:

- Portraiture
- Parliamentary history
- Political satire
- Political commemoratives
- The United Kingdom and Parliament today.

Loans of works of art falling within these categories will be sought to fill gaps in the collection whether from public bodies or private individuals. Loans will not be accepted from bodies or individuals which would be seen to compromise the integrity of the House, and therefore the identity of each lender must be made known in advance of the loan proceeding.

The House of Commons Collection will not acquire, whether by purchase, gift, bequest or exchange, any work of art or object unless the Works of Art Committee is satisfied that the Collection can acquire a valid title to the item in question, and that in particular it has not been acquired in, or exported from, its country of origin (or any intermediate country in which it may have been legally owned) in violation of that country's laws.

The House's disposal and access policy is in the process of being drafted.

### **Medals**

The Parliamentary Art Collection also includes a medal collection. The collection consists of awards instituted by the British Crown and issued to the Armed Forces over the last two centuries as well as medals for gallantry awarded to civilians.

A total of 486 medals are recorded in the medals collection which is on public display in the Medals Corridor in the House of Commons where it can be viewed.

### **Ceremonial items**

The House's collection of ceremonial items consists of Mace, Swords and Medallions. Not all the items are owned by the House; many are owned by the Crown and are returned to St James Palace for safekeeping when the House is in recess:

- The Mace is on loan from the Royal Household who bear the cost of any repairs that are required,
- The Speaker's Office own four ceremonial swords and maintenance costs are charged to the Statement of Comprehensive Net Expenditure when incurred.
- There are forty two medallions which are worn by the Doorkeepers during parliamentary term time. Like the Mace, these are not owned by the House but are on loan from the Royal Household, hence their value is not included in the Statement of Financial Position. However, unlike the Mace, the House is responsible for the maintenance of the Medallions and costs are charged to the Statement of Comprehensive Net Expenditure when incurred.

**13. Intangible assets**

The House's intangible assets comprise purchased software licences and other software.

	<b>Development Expenditure</b>	<b>Software Licences</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>			
At 1 April 2011	-	1,219	1,219
Additions	298	218	516
Disposals	-	(105)	(105)
Reclassifications	-	88	88
<b>At 31 March 2012</b>	<b>298</b>	<b>1,420</b>	<b>1,718</b>
<b>Amortisation</b>			
At 1 April 2011	-	579	579
Charged in year	15	316	331
Disposals	-	(105)	(105)
<b>At 31 March 2012</b>	<b>15</b>	<b>790</b>	<b>805</b>
<b>Carrying amount at 31 March 2011</b>	<b>-</b>	<b>640</b>	<b>640</b>
<b>Carrying amount at 31 March 2012</b>	<b>283</b>	<b>630</b>	<b>913</b>
	<b>Development Expenditure</b>	<b>Software Licences</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>			
At 1 April 2010	-	858	858
Additions	-	361	361
Disposals	-	-	-
<b>At 31 March 2011</b>	<b>-</b>	<b>1,219</b>	<b>1,219</b>
<b>Amortisation</b>			
At 1 April 2010	-	350	350
Charged in year	-	229	229
Disposals	-	-	-
<b>At 31 March 2011</b>	<b>-</b>	<b>579</b>	<b>579</b>
<b>Carrying amount at 31 March 2010</b>	<b>-</b>	<b>508</b>	<b>508</b>
<b>Carrying amount at 31 March 2011</b>	<b>-</b>	<b>640</b>	<b>640</b>

## 14. 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 2012.

		Book Value	Fair Value
	Note	£000	£000
Primary financial instruments			
<b>Financial assets</b>			
Cash and cash equivalents	17	3,599	3,599
Trade and other receivables	16	3,839	3,839
<b>Financial liabilities</b>			
Trade and other payables	18	18,999	18,999
Early Departures	19b	1,904	1,904

## 15. Inventories

	2011-12	2010-11
	£000	£000
Catering	355	210
Store equipment	88	72
Other	76	59
	<b>519</b>	<b>341</b>

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

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	2,058	2,876
Deposits and advances	538	550
VAT and other taxes	1,243	2,184
Other receivables	-	20
Prepayments and accrued income	7,425	6,339
	<b>11,264</b>	<b>11,969</b>
<b>Amounts falling due after more than one year:</b>		
Prepayments and accrued income	241	-
	<b>11,505</b>	<b>11,969</b>

**17. Cash and cash equivalents**

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	4,204	4,482
Net change in cash and cash equivalent balances	(605)	(278)
Balance at 31 March	3,599	4,204
The following balances at 31 March were held at:		
Government Banking Service	53	653
Commercial banks and cash in hand	141	155
House of Commons Commission Reserve account	3,405	3,396
<b>Balance at 31 March</b>	<b>3,599</b>	<b>4,204</b>



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

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Other taxation and social security	5	2,323
Trade payables – current	128	1,920
Capital - accruals	1,129	2,901
Members	2	4
Other payables	3,690	3,507
Accruals and deferred income	14,045	14,336
	<b>18,999</b>	<b>24,991</b>
Amounts issued from the Consolidated Fund for supply but not spent at year end	194	607
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	-	201
	<b>19,193</b>	<b>25,799</b>

There are no amounts due to be paid after one year

**19. Provisions for liabilities and charges****19(a) Pensions****Overview**

The House of Commons Staff Pension Scheme (HoCSPS) is an unfunded pension scheme which generates a significant liability on the Statement of Financial Position. This liability will be redeemed through the pension payments made to current and former staff members, and as such will not be fully realised for many years.

The House of Commons (Administration) Act 1978 requires the staff pension scheme to operate in line with the Principal Civil Service Pension Scheme (PCSPS). As such it is required to mirror any future changes to the PCSPS that arise from the Independent Public Service Pensions Commission: Final Report (Hutton Report) published on 10 March 2011. A major adjustment during 2011-12 was the decision to increase member pension contributions from April 2012. This should reduce the existing pension liability in future years but did not have a direct impact on the pension liability at 31 March 2012 shown in these accounts.

**Benefits provided**

Staff may be in one of four defined benefit schemes, either a final salary scheme (classic, premium or classic plus) or a career average scheme (nuvos). Members joining after October 2002 were able to opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

All pensions payable under the final salary scheme are increased annually in line with the statutory index-linked increases applied by the Government to public sector schemes. The indexation was changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) from 1 April 2011.

Employee contributions are dependent on salary band. With the increase in employee contributions from 1 April 2012 these will now range from 1.5% to 5.9% for the final salary schemes.

Benefits in the classic scheme accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For the premium scheme, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike the classic scheme, there is no automatic lump sum but members may commute some pension for a cash lump sum on retirement. The classic plus scheme is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per the classic scheme, and benefits for service from October 2002 worked out as in the premium scheme. In the nuvos scheme a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with statutory index-linked increase. In all cases members may opt to commute pension for a lump sum payment up to the limits allowed by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of the classic, premium and classic plus schemes, and 65 for members of the nuvos scheme.

#### **Pensions costs shown against the Administration Estimate**

With the scheme being unfunded all changes to pension liabilities shown in the accounts represent non-cash adjustments. The benefits earned by staff during the current year (£13.3 million) are shown in Note 7, while the cost of pension interest on the historic liabilities (£24.0 million) appears in Note 8 of the accounts. The latter represents the unwinding of the discount applied to pension liabilities in previous years. Both the current service cost and pension interest are scored against the Administration Estimate.

Actuarial advice suggests the current public sector pay freeze is not considered to impact significantly on the longer term trend for pay increases. Based on the financial and demographic assumptions applicable at the start of 2011-12 outlined below, the employer's contribution rate for the year ended 31 March 2012 was 23.5% of pensionable salary (27.7% in 2010-11). This has reduced the employer's contribution for pension benefits earned during the year by around £2.5 million.

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.

Cash expenditure represents the difference between the payments made to pensioners and current employee contributions, offset if appropriate by other net pension scheme transfers. The Consolidated Fund meets the cash balance required for any net cash difference.

#### **Assumptions adopted for calculating the pension fund liabilities**

The actuarial valuation involves placing a current value on the benefit payments due to be paid in future years. It covers a considerable period and includes liabilities accrued during 2011-12 and previous years for current and former employees. The International Accounting Standard (IAS 19) requires the value of the accrued pension liabilities and current service cost (or contribution rate) to be assessed using the standard actuarial methodology known as the Projected Unit Credit Method.

##### **(i) Demographic assumptions**

Demographic and other assumptions adopted to estimate future liabilities include mortality rates, withdrawals from services, salary increases and the ages of dependants. Assumed levels of future mortality improvements are in accordance with the 2008 population projections for the UK prepared by the Office for National Statistics (ONS).

(a) Life expectancy at of healthy pensioners at age 60

	As at 31 March 2012		As at 31 March 2011	
	Male (years)	Female (years)	Male (years)	Female (years)
Current pensioners	29.0	32.4	29.2	32.5
Future pensioners	31.5	35.0	31.1	34.6

(b) Life expectancy at of healthy pensioners at age 65

	As at 31 March 2012		As at 31 March 2011	
	Male (years)	Female (years)	Male (years)	Female (years)
Current pensioners	24.0	27.3	24.1	27.3
Future pensioners	26.9	30.4	26.5	29.9

(ii) Financial assumptions

With the exception of the rate of earnings inflation, advised by GAD on the basis of historic trends, the main financial assumptions adopted are in accordance with HM Treasury guidance (PES(2010)17) issued in December 2010.

	As at 31 March 2012	As at 31 March 2011
Rate of increase in salaries	4.25%	4.9%
Rate increase pensions	2.0%	2.65%
Rate used to discount scheme liabilities	4.85%	5.6%
CPI rate	2.8%	2.9%

In the accounts allowance has been made for known pension increases since 2008, up to and including the 5.2% increase in April 2012.

Actuarial calculations are inherently uncertain because of the assumptions made. A sensitivity analysis prepared by the actuaries as at 31 March 2012 suggests that minor changes to the main assumptions adopted could have a significant impact on the total pension liability:

	£million
Change of rate assumed:	
- 0.5% in earnings	17.0
- 0.5% in pensions in payment	34.0
Pensioner mortality:	
Increase 2 years	25.5

**Movement on pension liabilities**

The House of Commons Staff Pension Scheme (HOCSPS) is valued under International Accounting Standard (IAS26). An actuarial review undertaken by the Government Actuary's Department (GAD) shows the total pension liability has increased by £42.8 million, from £425.3 million to £468.1 million, at the 31 March 2012. These liabilities are expected to reduce in future years following the increase in member contributions from 1 April 2012.

	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	425,259	471,017
Current service cost towards benefits earned during 2011-12:		
Employer's contribution <sup>21</sup>	13,270	16,297
Employees' contribution <sup>22/25</sup>	2,079	1,986
Actuarial change arising from change in pension indexation <sup>23</sup>	-	(46,500)
Change in actuarial assumptions	13,300	(28,900)
Interest cost <sup>24</sup>	24,000	20,300
Benefits paid <sup>25</sup>	(11,281)	(9,456)
Transfers in <i>less</i> transfers out <sup>25</sup>	1,468	515
<b>Balance at 31 March</b>	<b>468,095</b>	<b>425,259</b>

**Historical movements on actuarial gains and losses shows**

	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Total Actuarial (Gain)/Loss</b>					
Amount	13,300	(28,900)	115,400	(39,900)	(22,000)
As a percentage of the present value of the scheme liabilities at 31 March	2.8%	6.8%	24.5%	12.2%	6.4%

<sup>21</sup> For 2011-12 the employer's contribution rate was 23.5% of pensionable pay (27.7% in 2010-11).

<sup>22</sup> Employee contributions have been increased from 1 April 2012.

<sup>23</sup> The change in pension indexation from Retail Prices Index (RPI) to the Consumer Prices Index (CPI) created a one-off technical accounting adjustment in 2010-11.

<sup>24</sup> This is based on the previous year's discount rate (5.6%) applied to the previous year's pension liability (£425.3 million) before other actuarial adjustments. Equivalent figures for 2010-11 were 4.6% applied to liabilities of £471 million)

<sup>25</sup> Provision used in year was £7,734,000 (benefits paid out £11,281,000 less net transfers £1,468,000 and employee contributions £2,079,000)

**19(b) Other provisions**

	Early Departure Costs £000	Legal Claims & Bad Debt £000	Dilapidation Costs £000	Voluntary Exits £000	Total £000
<b>Balance at 1 April 2010</b>	<b>1,066</b>	<b>99</b>	<b>-</b>	<b>-</b>	<b>1,165</b>
Provided in the year	944	-	2,752	128	3,824
Provisions not required written back	-	-	-	-	-
Provisions utilised in the year	(348)	(99)	-	-	(447)
Borrowing costs (unwinding of discounts)	1	-	-	-	1
<b>Balance at 31 March 2011</b>	<b>1,663</b>	<b>-</b>	<b>2,752</b>	<b>128</b>	<b>4,543</b>
Provided in the year	577	47	1,998	-	2,622
Provisions not required written back	-	-	(148)	(57)	(205)
Provisions utilised in the year	(336)	-	(162)	(71)	(569)
Borrowing costs (unwinding of discounts)	-	-	-	-	-
<b>Balance at 31 March 2012</b>	<b>1,904</b>	<b>47</b>	<b>4,440</b>	<b>-</b>	<b>6,391</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 2.9% 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.

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

**Dilapidation costs**

This reflects the legal obligation of the House, in accordance with the terms of the lease agreement of three leasehold properties, to provide for re-instatement and dilapidations.

**Voluntary Exits**

This reflects appeals that were successful in 2011-12 but relate to the 2010-11 Voluntary Exit scheme.

**20. Capital commitments**

2011-12	2010-11
£000	£000

Contracted capital commitments not otherwise included in these financial statements for property, plant and equipment.

6,312

8,525

## 21. Commitments under leases

### 21.1 Operating leases

Total future minimum lease payments based on current operating lease agreements are given in the table below for each of the following periods.

	2011-12	2010-11
	£000	£000
<b>Obligations under operating leases comprise:</b>		
Buildings		
Not later than one year	10,878	11,755
Later than one year and not later than five years	40,658	49,427
Later than five years	55,050	69,785
<b>Total</b>	<b>106,586</b>	<b>130,968</b>
Other <sup>26</sup>		
Not later than one year	116	158
Later than one year and not later than five years	58	170
Later than five years	-	-
<b>Total</b>	<b>174</b>	<b>328</b>

### 21.2 Finance leases

There were no significant finance leases held during 2011-12 (2010-11 £nil).

## 22. Contingent liabilities

The House of Commons has the following contingent liabilities:

	1 April 2011	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2012
	£000	£000	£000	£000	£000
Personal injuries claims	21	166	-	(1)	186
Works of Art on loan from various collections	2,078	56	(112)	-	2,022
<b>Total</b>	<b>2,099</b>	<b>222</b>	<b>(112)</b>	<b>(1)</b>	<b>2,208</b>

There remains a possibility that Unions representing staff within the House Service may launch a legal challenge against the House's position that pay progression is non-contractual. In addition, an agreement in 2011-12 to contract out certain ICT functions from May 2012 included a provision in the contract to meet certain redundancy payments in the event of staff not being able to be redeployed.

<sup>26</sup> In accordance with International Accounting Standards, the House is required to disclose details of all lease arrangements. The House has an option agreement with CEVA Logistics Ltd, provider of services relating to the Off-Site Consolidation Centre, that could result in the House funding the lease costs of the warehouse that is used, however this agreement can only be triggered by the House.

**23. Losses and special payments****23(a) Losses Statement**

	<u>2011-12</u>	<u>2010-11</u>
	<u>£000</u>	<u>£000</u>
Total – 113 cases (2010-11: 77 cases)	1,563	1,231

**Details of cases over £250,000**

The House of Commons had planned to occupy floors in 14 Tothill Street while refurbishment work was undertaken in other buildings on the estate. This move had been postponed pending a strategic review of accommodation across the Parliamentary Estate. The additional rent and rate payments made during 2011-12 amounted to £1.6 million (2010-11: £0.9 million).

**23(b) Special Payments**

There were no special payments in 2011-12 that require separate disclosure (2010-11: £nil).

**24. 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, together with services provided by the Parliamentary Estates 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, excluding minor shared services, are recharged on the following basis:

	<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 £38,672,000 on behalf of the House of Lords during 2011-12. The balance as at 31 March 2012 relating to accommodation, works and other shared services owed to the House of Lords by the House of Commons was £1,073,000.

The House of Lords incurred expenditure of £392,000 on behalf of the House of Commons during 2011-12. The balance as at 31 March 2012 owed to the House of Lords by the House of Commons was £20,000.

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 £131,000 on behalf of the BIPA in 2011-12. At the year end, the balance due from BIPA in respect of 2011-12 expenditure was £28,000. Accommodation is also provided to the British American Parliamentary Group, Commonwealth Parliamentary Association (UK Branch) and the British Group of the Inter-Parliamentary Union.

## 25. 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 were:

	2011-12	2010-11
	£000	£000

Gratuities and service charges	42	37
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## 26. Entities within the departmental boundary

The entities within the boundary during 2011-12 were as follows:

PICT, the Parliamentary Information and Communication Technology service, 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 service 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 Corporate Officers of both Houses 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.

## 27. 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.