

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

Annual Accounts

2014-15

(for the year ended 31 March 2015)

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section 3 (as amended) of the House of Commons (Administration) Act 1978

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Foreword to the Accounts

For the year ended 31 March 2015

Scope of the Estimate

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 both the Independent Parliamentary Standards Authority (IPSA) Estimate and the House of Commons Members Estimate.

Strategic report

Purpose

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.

Under the Fixed-term Parliaments Act 2011, the Parliament is to be dissolved at least 25 working days before the General Election. With the General Election date set to be 7 May 2015, it was known that Parliament would dissolve before the end of the financial year. At the end of the year, there were no Members of the House of Commons as the House was dissolved on 30 March 2015. The House usually consists of 650 members elected by the constituents. The House of Commons is constitutionally separate to Government.

The House of Commons and the House of Lords have joint stewardship of the Palace of Westminster. In order to maintain and preserve the Palace for future generations, the Authorities of both Houses have set a programme in motion for the Restoration and Renewal of the Palace of Westminster, with an independent option appraisal being conducted by a consortium of specialists, led by Deloitte.

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. Certain security and mail service operational costs are monitored jointly but billed separately to the two Houses.

Core objectives

The *Strategy for the House of Commons Service 2013-17* published in March 2013 has the aim that:

- 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 provide value for 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 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 efficient, responsive, diverse and inclusive. 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 has four strategic goals:

- Make the House of Commons more **effective**;
- Make the House Service more **efficient**;
- Ensure that Members, staff and the public are **well-informed**;
- Work at every level to earn **respect** for the House of Commons.

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 of the key activities and milestones for 2014-15 were set out in the *Corporate Business Plan 2014-15 to 2016-17* published in April 2014. The Management Board reviewed progress against these four core objectives through a monthly *Performance and Risk Report* together with a *Quarterly Performance Review*.

The House of Commons Commission publishes an Annual Report reviewing the performance of the House Administration. The 37th Annual Report, about to be published, contains information from the Management Board as well as a statement from the Accounting Officer. The Annual Report of the Administration Estimate Audit Committee is published with the Commission's Report.

Management commentary

Resources

The 2014-15 resource budget was the result of the Savings Programme which delivered a reduction in the baseline budget of 17% in real terms. The target resource budget for 2014-15 was £210million (from the original baseline of £231 million). Transfers of certain functions and technical accounting adjustments meant that a revised baseline target was set at £203.3 million (£201.3 million voted, £2.0 million non-voted). In December 2013, the Commission agreed to a resource Estimate of £201.3 million (HC1231), which was £2.0 million less than the comparable baseline target. The Savings Programme closed at the end of March 2014 but its legacy will be protected by embedding and further developing a programme of continuous improvement, to deliver a cost conscious culture amongst those responsible for delivering services across Parliament.

Management of the Estimate during the year was complicated by the transfer of the House staff pension scheme, the emerging need to find additional accommodation to support the Parliamentary Estates Strategy, reclassification of certain spends and movements in the Parliamentary Estate valuation costs. In December 2014 the Commission agreed to a supplementary Estimate of £7.55 million (£6.85 million voted, £0.7 million non-voted) on the resource budget and a decrease of £4.4 million (£4.6 million voted decrease, £0.2 million non-voted increase) on the capital budget (HC965). The driving factor behind the Supplementary Estimate was to allow for the Northern Estates

Accommodation strategy to progress and facilitate the acquirement of a leased building (39 Victoria Street) to allow for decant space.

Each year, the Valuation Office Agency (VOA) provides an estimate for the valuation of the Parliamentary Estate during the autumn prior to the figures being finalised at the end of the year. As a fully inspected review of the Estate was undertaken in 2013 only a desktop valuation was performed for 2014-15. The valuation for specialist buildings such as the Palace of Westminster is based on the Building Cost Information Service (BCIS) tender price index (TPI) and the location factor (LC) for Westminster. Both factors have fluctuated significantly in recent years making it difficult to accurately plan budgets. For example, during the last two years the movements on these figures have been:

Valuation date	TPI figure	LC figure
31 March 2013	229	1.20
Mid-year	237	1.26
31 March 2014	238	1.21
Mid-year	258	1.20
31 March 2015	257	1.17

Delays to building refurbishment projects have caused additional complications in trying to plan for building valuations and consequential movements.

Capital

Capital expenditure totalled £30.9 million against an Estimate of £38.7million, representing an underspend of £7.8 million (20.2%). This primarily arose against Estates projects and specifically the decision to re-scope the refurbishment works in 1 Canon Row (£10.0 million), offset by progress against the Northern Estates Programme. The Restoration and Renewal Programme costs to date have been treated as capital expenditure as potential works will enhance the asset and there is a high degree of certainty of works proceeding as the House of Commons Commission agreed on 29 October 2012 that doing nothing was not an option.

Cash

A net cash requirement of £614.1 million was achieved against an Estimate limit of £666.7 million. The underspend of £52.6 million (7.9%) primarily represents the requirement not to call upon the reserve for the pension transfer, which was significantly lower than expected (£40.0 million), capital underspend (£7.8 million), and a resource underspend (£5.5 million). The cash requirement for 2014-15 was significantly higher than previous years due to the planned transfer of the pension liability to the Cabinet Office. A payment of £410 million was made early in the financial year in recognition of the transfer of the pension liability to the Cabinet Office. The payment on account was made on a draft valuation of the liability and to ensure that any interest bearing charges were mitigated to the lowest possible figure.

Income

In 2014-15 net income of £14.9 million was generated, predominantly from retail and tour activities, which was lower than the planned income (£16.2 million) anticipated in the original Estimate due to delays in implementing a commercial ticketing system and that plans to open a new Parliamentary Shop were not completed. Operating income (£13.6 million), was up 19.3% on the previous year (11.4 million), with strong growth in retail sales (up 12%) and room hire fees (663%).

Payment of Suppliers

Performance on the payment of supplier invoices within 30 days of receipt of an invoice was 88.6% which was lower than previous years (90.5% in 2013-14). Invoices received were up 2.4% on the previous year, with the Financial Services section paying 38,873 invoices in the financial year. The upgrade of the House finance systems had a considerable impact on the Financial Services area as well as across the House resulting in targets being missed. This area of financial services is a target for further continuous performance improvement, involving a number of stakeholders, in future years.

Net Assets

Total assets employed by the House of Commons less current liabilities increased from £941.6 million to £1,002.4 million at the year end, an increase of £60.8 million (6.5%). The value of the Estate increased by £47.4 million (5.2%) to £956.6 million after incurring depreciation charges of £13.9 million, trade receivables has increased from £5.6 million to £27.2 million. This represents the expected balance of £23 million to be returned by the Cabinet Office in respect of the payment on account for the pension liability transfer.

The value of the Palace of Westminster is provided by the Valuation Office Agency and is based a depreciated replacement cost value on a modern equivalent principle. The Restoration and Renewal Programme has commissioned a study on the condition of the fabric of the Palace to produce options to address concerns that major and irreversible damage may occur and that the long term future of this historic asset of national importance is preserved for future generations. The cost of the programme has been estimated between a range of £3.5 billion and £7.1 billion, which exceeds the depreciated value. The current valuation accounts for the concerns of the building and the need for intervention and rebuilding a modern equivalent asset, thus not preserving the historical importance. The House of Commons contribution to date for the programme is £3.7million.

Net Liabilities

Pension liabilities associated with the House of Commons Staff Pension Scheme (HoCSPS) have been transferred to the Cabinet Office, resulting in a decrease to the liabilities of £525.2 million at the year end. This liability was released with a cash payment of £410 million to the Cabinet Office in the year. Better management of cash saw the unutilised funding from the Consolidated Fund decrease by £4.8 million (50%). The removal of the pension liability should make management of the resource estimate easier as the volatility surrounding pension valuations, market sensitivities and changing demographic assumptions are removed.

Supply required for 2015-16

The Commission has agreed to an Estimate with a net resource requirement of £213.7 million (£212.5 million voted, £1.2 million non-voted) for 2015-16. This is £4.0 million more than the previous year, representing the increasing demand to support the strategic estates programme, providing decant space for the Northern Estates Programme (£4.3 million full year impact), additional depreciation of £3.5 million. The uplift for inflation and the increase in employer's pension contribution is £4.3 million. The Commission have also agreed an additional £0.9 million for resources to enhance government scrutiny. This is offset by reductions in planned impairment charges (£6.6 million) and cost share changes with the House of Lords (£2.9 million). The 2014-15 agreed Estimate was £2.0 million below the baseline target.

The capital provision has increased by £7.4 million to £45.8 million reflecting a significant increase in the planned Works programme. This includes further investment in the Palace of Westminster building, a Grade 1 listed building within a World Heritage site and development of the Northern Estate accommodation buildings as well as increases in ICT investments.

Tax arrangements of Public Appointees

On 23 May 2012 the Treasury published *Review of the Tax Arrangements of Public Sector Appointees*, and on 24 August 2012 the Cabinet Office published the Procurement Policy Note *Tax Arrangements of Public Appointees*.

The House of Commons has a number of similar appointees: Some are appointed on an ad hoc or daily rate basis, such as specialist advisers to Select Committees; others are appointed on a full-time basis such as project managers. Off-payroll engagements within Digital Services (formerly PICT) are reported in full in the following table even though their costs are shared with the House of Lords.

Table A: For all off-payroll engagements as of 31 March 2015, for more than £220 per day and that lasted for longer than six months

	Number
Existing engagements as of 31 March 2015	43
Of which at the time of reporting have existed for:	
less than one year	20
between one and two years	13
between two and three years	3
between three and four years	2
for four years or more	5

All of the 43 contractors have been subject to a risk based assessment during 2014-15, to consider whether assurance is required that the individual is meeting their PAYE obligations and, where necessary, that assurance has been sought.

Table B: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015, for more than £220 per day and that last for longer than six months.

	Number
New engagements, or those that reached six months in duration between 1 April 2014 and 31 March 2015	50
Of the above which included contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	48
For whom assurance has been requested	20
Of which:	
assurance has been received	20
assurance has not been received	0
Have been terminated as a result of assurance not being received.	**

The two contractors whose contracts did not include the relevant clauses were appointed on old terms. These contracts expired on 30 March 2015.

** Last year, two contractors were reported as providing satisfactory assurances as at 31 March 2014. Subsequent checks indicated areas where further assurance was required. This evidence was not received, their contracts were not renewed and they will be reported to HMRC.

Table C: For any off-payroll engagements of Board Members, and/or, senior officials with significant financial responsibility, between 1 April 2014 and 31 March 2015

	Number
Off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year.	2
Individuals that have been deemed 'board members, and/or senior officials with significant responsibility', during the financial year both off-payroll and on-payroll.	12

The two off-payroll engagements are both non-executive members of the Management Board. Assurance was received from them in 2013-14 and as there has been no change in their contracts, further assurances are not required. The 12 board members and senior officials include the two off-payroll non-executive members, eight House of Commons officers who are members of the Board and two senior officers with budgetary responsibility in excess of £10 million.

Auditors

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

As far as 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.

D Natzler
Accounting Officer

10 July 2015

Remuneration Report

For the year ended 31 March 2015

Remuneration policy

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

Following the conclusion of negotiations with the Unions in March 2014, a new pay and reward agreement was finalised, covering financial years 2013-14 to 2015-16. The total consolidated value of the final pay agreement reached covering the years 2013-14 to 2015-16 and including the 1% pay award already paid to staff in 2013, is on average worth 10.4% cumulatively over the three years. In addition, all staff in post on 31 March 2014 received a minimum £2,500 non-consolidated payment. Part of this agreement saw departmental variations to working patterns and discretionary leave end from 1 November 2014. From May 2015, net working hours will increase from 34 hours per week to 35 hours per week for full time staff on A to E grades. This will increase to 36 hours per week in May 2016 (pro rata for part-time staff).

Discussions on catering pay bands (grades outside the Pay Bands A to E) concluded during the year. This saw an annual 1% increase agreed plus a non-consolidated sum of £1,150 (pro-rotta for part time staff) in the agreement to change and end some discretionary arrangements.

In September 2014, a pay award was also agreed for Senior Commons Staff (SCS) grades with a cumulative increase of 4.12% agreed for a three year deal. Senior Commons Staff also operate a system of additional performance awards, which 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 2014-15 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.

Remuneration

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

Officials	Salary (a)		Benefits in kind (b)		Pension benefits		Total	
	(£'000)		(£'000)		(£'000) ¹		(£'000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
R Rogers KCB DL (<i>until 31 August 2014</i>)	80-85 (195-200 FYE)	195-200	7.8	19.4	n/a	n/a	90-95	215-220
D Natzler	140-145	130-135	-	-	103	(6)	240-245	125-130
M Barrett (a)	110-115	105-110	-	-	40	40	155-160	145-150
J Borley CB	120-125	120-125	-	-	46	46	170-175	165-170
J Sharpe (e) (<i>from 20 October 2014</i>)	50-55 120-125 FYE)	-	-	-	29	-	80-85	
J Pullinger CB (<i>until 30 June 2014</i>)	30-35 (120-125 FYE)	120-125	-	-	3	8	35-40	125-130
J Bengler (e) (<i>from 1 July 2014</i>)	80-85 (120-125 FYE)	-	-	-	13	-	95-100	
A Walker	120-125	120-125	-	-	25	6	145-150	125-130
J Miller (a) (c) (<i>until 11 September 2014</i>)	180-185 (100-105 FYE)	100-105	-	-	21	21	200-205	120-125
M Taylor (c) (e) (<i>from 12 September 2014 to 31 March 2015</i>)	45-50 (90-95 FYE)	-	-	-	39	-	85-90	
J Gaymer DBE (d)	25-30	10-15	-	-	n/a	n/a	25-30	10-15
B Scott (d)	25-30	20-25	-	-	n/a	n/a	25-30	20-25

Figures in table audited by the National Audit Office

Notes:

(a) Salary includes gross salary, performance award and allowances. M Barrett received a performance award of £6,500, and J Miller received a negotiated settlement payment as compensation for the loss of office of £135,000-£140,000, both of which are included in the salary figures.

¹ The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum, less the contributions made by the individual. The real increases exclude adjustments due to inflation or the transfer of pension rights. In certain circumstances this can result in a decrease in the real pension value during the financial year. In addition, where a scheme member has exceeded retirement age but remains within the scheme this can further decrease the real pension value.

(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) External Board members are paid an annual rate which includes Audit Committee work. The increase during 2014-15 compared to 2013-14 for J Gaymer's salary is two-fold; the previous year's figure was not a full year (J Gaymer started 19 September 2013) and during 2014-15 J Gaymer received higher remuneration to reflect additional responsibilities for Chairing the Management Board.

(e) Standing invitations to attend Management Board meetings as Head of Departments.

Commentary:

At the start of the financial year, the Members of the Management Board were Sir R Rogers (Chair), M Barrett, J Borley, D Natzler, J Pullinger, A Walker, J Miller, Dame J Gaymer (external member) and B Scott (external member). J Pullinger left the House service on 30 June 2014. J Bengel was appointed Acting Head of Department of Information Services and was given a standing invitation to attend the Management Board. Sir R Rogers retired from the House on 31 August 2014. Dame J Gaymer was appointed to Chair the Management Board from 19 September, D Natzler, as Clerk Assistant, became the Accounting and Corporate Officer. On 16 October 2014, the Commission appointed D Natzler as Acting Clerk. J Sharpe was appointed to Acting Clerk Assistant and was also given a standing invitation to attend the Management Board. J Miller left the House service on 11 September 2014. M Taylor was appointed as Acting Head of Parliamentary Information Communications and Technology and was also given a standing invitation to attend the Management Board. R Greig started on 9 March 2015 but did not attend a management board and officially took over as Head of Digital Services on 1 April 2015.

Pay multiples

The following table shows the ratio of the median of all House staff remuneration compared to the highest paid member of the Management Board:

	2014-15	2013-14
Highest earner's total remuneration (£000)	175-180	215-220
Median of total remuneration (£)	36,000	33,275
Ratio	4.93	6.54

In 2014-15, no employee received remuneration in excess of the highest paid member of the Management Board. The year-on-year change in the ratio between the median and the highest paid member of the Management Board reflects a one-off payment made to the majority of staff as part of the pay and reward agreement, and a reduction in the highest earner's remuneration package due to the absence of a benefit-in-kind entitlement. The ratio is expected to return to its previous level of around 6.5 next year when the median remuneration will not include the one-off payment and the highest earner commences the use of an official residence resulting in a benefit-in-kind entitlement.

Total remuneration includes annualised salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

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 2013-14 figures, see House of Commons Annual Accounts, HC 470):

	Accrued pension and related lump sum at 31/3/15 (£000)	Real increase in pension and related lump sum at 31/3/15 (£000)	CETV at 31/3/15 (£000)	CETV at 31/3/14 ² (£000)	Real increase In CETV (£000)
R Rogers KCB DL ³ (until 31 August 2014)	n/a	n/a	n/a	n/a	n/a
D Natzler	65-70 plus lump sum of 205-210	2.5-5 plus lump sum of 12.5-15	1,550	1,448	100
M Barrett	10 - 15	0-2.5	106	76	16
J Borley CB	20 - 25	2.5-5	322	263	32
J Sharpe (from 20 October 2014)	65-70 plus lump sum of 200-205	0-2.5 plus lump sum of 2.5-5	1,384	1,376	26
J Pullinger CB (to 30 June 2014)	50-55 plus lump sum of 150-155	0-2.5 plus lump sum of 0-2.5	1,031	994	2
J Bengler (from 1 July 2014)	30-35 plus lump sum of 95-100	0-2.5 plus lump sum of 0-2.5	641	602	11
A Walker	55-60 plus lump sum of 175-180	0-2.5 plus lump sum of 2.5-5	1,389	1,300	25
J Miller (until 11 September 2014)	15-20	0-2.5	363	338	19
M Taylor (from 12 September 2014 to 8 March 2015)	15-20 plus lump sum of 45-50	0-2.5 plus lump sum of 5-7.5	295	251	31
J Gaymer DBE	n/a	n/a	n/a	n/a	n/a
B Scott	n/a	n/a	n/a	n/a	n/a

Figures in table audited by the National Audit Office

² The figures may be different from the closing figures in the 2013-14 Annual Accounts due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

³ R Rogers KCB DL has already taken his lump sum from the House of Commons Staff Pension Scheme. His accrued pension worth £70 - £75k is in abatement.

Civil Service Pensions

Pension benefits are now provided through the Principal Civil Service Pension Scheme (PCSPS) (previously through the House of Commons Staff Pension Scheme (HoCSPS)). Employees may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic 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 premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their 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 uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set 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 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 classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

New Career Average pension arrangements will be introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

Cash Equivalent Transfer Values

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosures applies..

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their

own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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.

Real increase in CETV

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.

D Natzler
Accounting Officer

10 July 2015

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 annual 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 Financial Reporting Manual as applied by the House of Commons. 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 Financial Reporting Manual as applied by the House of Commons, 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 set out in *Managing Public Money* published by HM Treasury.

Annual Governance Statement⁴

Governance framework of the House of Commons

The House of Commons Administration is overseen by the group of Members of Parliament who make up the statutory **House of Commons Commission**. Under the House of Commons (Administration) Act 1978 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 House Service staff. The Parliament (Joint Departments) Act 2007 further provides for joint departments to be established with the House of Lords. There is currently one joint department, the Parliamentary Digital Service (PDS). This succeeded the Parliamentary Information and Communication Technology (PICT) Service on 1 April 2015.

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 Andrew Lansley CBE MP: Leader of the House of Commons (by virtue of office)

Sir Paul Beresford MP

Frank Doran MP

Angela Eagle MP

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

During the course of the year, Rt Hon William Hague MP replaced Rt Hon Andrew Lansley CBE MP as Leader of the House, and consequently as a Member of the Commission, on 15 July 2014.

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.

The **Administration Estimate Audit Committee** includes Members of Parliament, non-executive Management Board members and an independent expert member; during 2014-15 the Chair was one of the non-executive external members of the Management Board. The Committee advises the Commission and the Accounting Officer and has oversight of the work of Internal Audit and the work carried out for the House by the National Audit Office. Its annual report is published with the House of Commons Commission's Annual Report.

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. From 1 April 2014 Sir R Rogers, the Clerk of the House of Commons, who was also the Chief Executive, chaired the Management Board and was the Accounting Officer and Corporate Officer. From 19 September 2014 to 5 June 2015 Dame J Gaymer, a non-executive, chaired the Management Board. At the start of the financial year, members of the Management Board were:

Sir R Rogers KCB: Chairman, Clerk of the House and Chief Executive

M Barrett: Director of Finance

J Borley CB: Director General, Facilities

D Natzler: Director General, Chamber and Committee Services

J Pullinger CB: Director General, Information Services

⁴ The House of Commons Members' Estimate is the subject of a separate Governance Statement published with the House of Commons Members' Annual Accounts.

A Walker: Director General, Human Resources and Change

J Miller: External member, Director of Parliamentary ICT (PICT)

Dame J Gaymer DBE QC (Hon): External non-executive member

B Scott: External non-executive member

During the course of the year a number of changes were made to the membership of the Management Board.

J Pullinger left the House Service on 30 June 2014. J Bengner was appointed as Acting Head of the Department of Information Services and was invited to attend the Management Board while a recruitment exercise was held to identify a replacement. P Young was subsequently appointed Librarian and Director General of Information Services from 26 May 2015.

Sir R Rogers retired on 31 August 2014. I, David Natzler, was appointed as interim Accounting Officer with effect from 1 September 2014 and as Acting Clerk of the House on 16 October 2014. No appointment was made to the position of Chief Executive. The recruitment of a Clerk of the House was launched on 28 January 2015 and I was appointed to the position on 23 March 2015.

Following my appointment as Acting Clerk of the House, J Sharpe CB was appointed as Acting Director General of the Department of Chamber and Committee Services and invited to attend the Management Board. J Sharpe CB retired on 30 June 2015, and following a recruitment exercise J Bengner was appointed as Clerk Assistant and Director General of the Department of Chamber and Committee Services from 1 July 2015.

J Miller left the House Service on 11 September 2014. M Taylor was appointed as Acting Head of PICT and invited to attend the Management Board while a recruitment exercise was held to identify a replacement. Following that exercise, R Greig joined the House as Director of the Parliamentary Digital Service on 9 March 2015.

Further information about changes in senior appointments is provided in the review of governance section below.

Review of Governance

Following the retirement of Sir R Rogers, the role of Clerk and Chief Executive was advertised to be filled through open competition. On 1 September 2014 the Speaker announced that this recruitment had been paused. On 10 September 2014 the House agreed to a motion to appoint a select committee to 'consider the governance of the House of Commons, including the future allocation of the responsibilities currently exercised by the Clerk of the House and Chief Executive'. That motion appointed Rt Hon Jack Straw MP as Chair of the Committee; other Members were appointed on 16 October 2014.

The Committee reported on 17 December 2014 and made a number of recommendations about the future governance of the House of Commons. The main recommendations that will have an impact on issues covered by the Annual Governance Statement are:

The House of Commons Commission should have an additional explicit statutory responsibility: to set the strategic framework for the provision of services to the House, its Members and the public.

There should be an expanded membership of the Commission to include four backbench members (including the Chairs of the Administration and Finance Committees (the latter to replace the Finance and Services Committee)) two external members and two official members (the Clerk of the House and the Director General of the House of Commons).

The 'paused' recruitment process for the Clerk of the House/Chief Executive should be formally terminated.

A new recruitment should be held for the Clerk of the House: the Clerk of the House should remain Head of the House Service, but should not be its Chief Executive.

The creation of a post of “Director General of the House of Commons” who will report to the Clerk of the House, but with “clearly delineated autonomous responsibility for the delivery of services.”

The replacement of the Management Board with an Executive Committee chaired by the Director-General and comprising in addition the Clerk of the House, the Director of Finance and up to three other officials.

A full list of the Committee’s recommendations can be found in their report⁵. The House agreed to the Report’s recommendations on 22 January 2015.

The majority of the Committee’s recommendations will be implemented in the course of financial year 2015-16. The following actions were taken during 2014-15 and up to the date of this statement to prepare for the new governance structure.

The recruitment of a Clerk of the House was launched on 28 January 2015 and I was appointed to the position on 23 March 2015.

The recruitment of a Director General, House of Commons was launched on 24 February 2015. Interviews took place on 2 July 2015 and the successful candidate will take up their post later in the year.

The House of Commons Commission Act received Royal Assent on 26 March 2015. This Act makes the legislative changes to the membership and role of the Commission necessary to implement the Governance Committee’s recommendations.

On 10 March 2015 the House agreed to the changes to its Standing Orders that were necessary to implement the Governance Committee’s recommendations.

Staff of the Office of the Chief Executive and the Domestic Committee Office (which supports the Commission) were co-located, in advance of a formal merger into a new Governance Office.

Following the 2015 General Election, a new Commission was appointed on 9 July 2015. The Membership was:

The Rt Hon John Bercow MP: Speaker (Chairman, by virtue of office)

The Rt Hon Chris Grayling MP: Leader of the House of Commons (by virtue of office)

Sir Paul Beresford MP

Tom Brake MP

The Rt Hon Nick Brown MP

Angela Eagle MP

Stewart Hosie MP

David Natzler: Clerk of the House (by virtue of Office)

During the course of the 2014-15 financial year the following steps were taken to ensure continuity in governance arrangements.

The Commission appointed me as interim Accounting Officer on 1 September 2014. This ensured that the role of Accounting Officer for the House of Commons was filled throughout the transition. Under the Parliamentary Corporate Bodies Act (1992) I automatically became the Corporate Officer, by virtue of being the Clerk Assistant, upon the retirement of Sir R Rogers.

On 16 October 2014 the Commission appointed me Acting Clerk of the House of Commons and gave me responsibility for co-ordinating the work of the other executive members of the Management Board.

⁵ <http://www.parliament.uk/business/committees/committees-a-z/commons-select/house-of-commons-governance-committee/publications/>

Dame J Gaymer, non-executive member of the Management Board and Chair of the Audit Committees, was invited to chair meetings of the Management Board from 19 September 2014 and she did so until 3 June 2015. She continued in her role as Chair of the Audit Committees, advising the interim Accounting Officer.

Other governance changes

In addition to the review of governance described above, two other significant changes to the governance/structure of the House Service were initiated during the course of this financial year. The first was the decision to create a Parliamentary Digital Service, as a joint department serving both Houses, through the merger of PICT with the Web and Intranet Service (a shared service based in the House of Commons). The second was the review of Security Governance which led to the decision by the Commission and Lords House Committee that “ultimate responsibility for every aspect of security should lie with the Parliamentary Security Director, as a single accountable security expert”. As a result of these decisions planning is underway to create a single security department serving both Houses of Parliament. Further information on both these developments is provided in the “Review of Effectiveness” section below.

Work of the Management Board

The Board held 17 formal meetings during the year, supplemented by several informal meetings on specific themes. Agendas, papers and minutes (including details of attendance at formal meetings) are published on the Parliamentary web pages⁶.

The Board monitors the performance of the organisation principally through its monthly consideration of data on performance against corporate key performance indicators and the status of Board-level risks.⁷ This monthly report also includes information on risk and performance issues escalated from departments or programmes/projects, and commentary from Heads of Department. Data received from departments and programmes/projects are reviewed by the Management Board secretariat. Quarterly performance review meetings were held in which the Board further considered these issues.⁸ 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 projects and programmes; and the findings from regular staff surveys and Investors in People reviews.

Wider Context

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, for instance to agree the annual Medium-Term Investment Plan (MTIP), joint meetings of the Audit Committees of the two Houses, and standing bicameral groups of senior officials from both Houses such as the Parliamentary Estates Board and the PICT Advisory Board. The Parliamentary Procurement and Commercial Service, managed on behalf of both Houses and PICT (now PDS) by the House of Lords, provides professional procurement and contract management advice to both Houses and PICT to ensure that our procurement processes are compliant. The Parliamentary Security Director (PSD) 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. Additionally, in October 2015 the Commission will hold its first joint meeting with the House Committee of the House of Lords.

⁶ <http://www.parliament.uk/mps-lords-and-offices/offices/commons/management-board/management-board-publications>

⁷ A full list of KPIs and Board Level risks which applied in the year under review were published in the Board's Corporate Plan for 2013/14 http://www.parliament.uk/documents/commons-commission/Commons_Management_Board/CBP-2013-WEB.pdf

⁸ In months in which a Quarterly Performance Review is held, the Board does not consider a performance and risk report at its usual monthly meeting.

The House of Commons Commission is the ultimate authority for the administration of the House. This Statement relates to the remit of the Management Board.⁹ As Accounting Officer I am mindful of HM Treasury's guidance on the scope of the Governance Statement as it applies to Government departments, but as the House's constitutional and governance circumstances are different from those of Government departments, the contents of this statement will therefore also differ.

The same is true of the extent to which the House Service 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. However I am content that the House Service's structure meets the overall objective of separating policy and operations, and that the necessary element of non-executive challenge and scrutiny is available through the external members of the Board and the Audit Committees. In addition the changes to the membership of the Commission, notably the inclusion of non-executive and official members, will ensure that the House's arrangements reflect more closely those of Boards in comparable organisations.

System of Internal Controls

The House Service has a range of policies and procedures that form part of its governance arrangements. These include rules and supporting guidance 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.

The House has a system of risk management which is reviewed annually by Internal Audit. The most recent Internal Audit review (May 2015) found that, although the design of the main system is generally appropriate to the House, the operation of the system is not operating effectively. Work to address this is continuing.

The Management Board considered the Board-level risks at each of its regular monthly meetings, and at its quarterly performance reviews. As a result of these discussions, in some cases risk descriptions were amended for clearer identification and the assessments adjusted to reflect the latest circumstances. The Board also commissioned work to start on unified risk reporting in response to an Internal Audit report. When completed, this will bring together information about the management of risks throughout the House.

The Management Board also reviewed its high-level risks during the spring of 2014 to ensure the existing risks remained relevant in light of the new corporate business plan. The Board level risks for 2014-15 can be found below. During the course of this year an additional Board level risk was created to acknowledge the increased risk posed both by the review of the Governance of the House of Commons and the number of Board level vacancies which emerged over the course of the year.

⁹ The Commission publishes its own Annual Report under s. 1(3) of the House of Commons Administration Act 1978. [<http://www.parliament.uk/business/committees/committees-a-z/other-committees/house-of-commons-commission/publications/>]

Risk	Description
Relations with Member bodies	Differing perspectives of the House Service and Member bodies: <ul style="list-style-type: none"> • The Commission; • The Speaker; • The Finance and Services Committee; and • The Administration Committee will impact on the House Service's ability to achieve its strategic goals.
Relations with the House of Lords (wording revised in January 2015)	The possibility that differing priorities 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: <ul style="list-style-type: none"> • deliver its day-to-day services; • achieve its strategic goals
Finance	The ineffective prioritisation and management of financial resources and poor contract management will impact on the House Service's ability to achieve its strategic goals
Governance (New risk agreed by the Board in July 2014)	Gaps in appointment and changes to the Management Board composition impact on the achievement of the House Service's objectives

Departmental risks, including in relation to security and the Restoration and Renewal Programme, are held at department level. The Management Board has oversight of these risks through its Quarterly Performance Reviews, as well as the escalation of risks to Board level by Departments.

Review of effectiveness

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 Department and the Parliamentary Digital Service; separate letters of assurance on security (for the PSD), on information security (from the Senior Information Risk Owner), on business resilience (from the Chair of the Business Resilience Group), and on health and safety (from the Parliamentary Safety Assurance Group); the Head of Internal Audit's annual report and opinion; and advice and reports from the Audit Committees. The letters from Heads of Department were subject to internal challenge and review by the Office of the Chief Executive and the Department of Finance. In addition, account has been taken of the monthly corporate performance and risk reports and the information gathered from detailed feedback interviews with both Members and Members' staff.

The Director of Internal Audit concluded in his annual report and opinion, consistent with previous years, that the governance, risk management and control arrangements in place were generally adequate for the purposes of the House of Commons, but that there were weaknesses in their operation that impaired their effectiveness. In particular the number or nature of findings from internal audit work had suggested that controls are not always fully effective and the House is therefore exposed to some degree of risk.

Findings on effectiveness

In this section I review the evidence about the organisation's effectiveness. In many areas progress has been made, the detail of which is set out in this section. At the same time, I recognise, as does the wider organisation, that more remains to be done.

Governance

It has been a year of uncertainty for the House Service, with the Governance Committee's report leading to major change in the Governance of the House of Commons, as set out in the section on Governance Changes above. I am pleased to report that during this period, business as usual activity continued and the House's decision-making processes have operated effectively. The House Service has continued to provide excellent services to Members, and I am sure that this will continue as we look to make further changes in the coming year. The new Governance structures will ensure that the Commission, the principal Governance body, has greater oversight of the work of the House Service and stronger involvement in setting its strategic direction. Additionally the merger of the Office of the Chief Executive and the Domestic Committee Office, forming the new Governance Office, will mean that a single office supports the key decision making-bodies in the House.

Financial management

The Department of Finance has taken a number of actions over the course of the year to improve the culture of financial management in the House Service. The new structure of the Department, implemented last year, is proving to be effective and there has been improved working across teams. There has also been a steady positive shift in the financial culture in terms of professionalism, approach to business cases, and ownership. This represents significant progress, but I continue to seek further improvements in the House's financial management capability, with greater financial discipline and awareness in staff working outside the Department of Finance.

While there have been improvements in forecasting, both capital and resource expenditure in the year were once again below the voted Estimate, with capital expenditure being significantly below. There were significant concerns in June/July when several spending pressures emerged, some of which arose due to failure to secure funding in advance of making commitments. Considerable effort was devoted to resolving these matters. Key messages were conveyed to senior managers in the autumn, and the situation has improved considerably since then, although there is still room for further improvement.

There continue to be challenges to improve the quality of pensions data, due to the backlog of work inherited by the current administrator, MyCSP, and the ongoing issues with the interface for the House Administration Information System (HAIS), the House's finance and HR administration system. Additionally, there have been significant concerns about the performance of MyCSP both in terms of timeliness and the accuracy of their work, due in part to HAIS issues. This issue was escalated within MyCSP and a new team was put in place which has led to some improvements, but there is still more to be done. A complete validation exercise with individual scheme members will be conducted this year.

Continuous Improvement

Last year my predecessor noted that we were developing a Continuous Improvement (CI) approach to continue the successful work undertaken as part of the savings programme, which closed in 2014, to improve effectiveness and drive innovation. This year work has begun on setting up CI across both Houses, seeking advice from practitioners in the public sector, developing our internal approach and training offer, recruiting Advocates and Practitioners, establishing a CI network and beginning to carry out process reviews in the business. Some improvements have already resulted from this work and I look forward to seeing the further fruits of this work in the coming year.

Procurement and contract management

As mentioned in last year's statement, the unified Parliamentary Procurement and Commercial Service (PPCS) was created on 1 April 2014, merging Commons, Lords and PICT procurement and

corporate services functions. Impressive progress has been made since then to develop the team, bring together the rules and procedures, develop new policies and improve data management. This has been achieved alongside a high volume of individual procurements and additional demands from major programmes. Overall the quality of service has been very high, and the move to category management has been well received. There has been also improvement in the management of PICT contracts. There are still areas where the service could be improved, but these are recognised and in hand.

Further work is required this year on reporting, including to the Commons Executive Committee, on spend analysis, opportunities and compliance. A new 'healthcheck' is being developed to this end, which will bring together performance on budget monitoring, payments, income collection, payroll, supplier management and purchasing.

House Administration Information System

Last year my predecessor reported that a number of issues with HAIS remained outstanding, pending a technical upgrade. Unfortunately despite the rollout of a system update, problems continue, particularly in relation to the interfaces for management accounting and tax. These issues have been raised with the supplier, but I am conscious of the impact that these issues, and the increased workload created by the manual work needed to ensure the systems operate effectively, have had on staff in the Department of Finance and elsewhere.

Security

During the course of the year, the Parliamentary Security Director (PSD) has worked to ensure that the security of the Parliamentary Estate has continued to improve. My predecessor reported last year that the PSD had identified a number of issues relating to the governance of security. As a result, Sir Paul Jenkins QC undertook a review of security governance in Parliament, which reported in September 2014. The core recommendation of that review was that ultimate responsibility for every aspect of security should be placed in the hands of one, accountable security expert, the PSD. Work has begun on implementing recommendations in the Jenkins review. Work is continuing on successor arrangements for Parliament's Special Services Agreement with the Metropolitan Police Service, which has been extended to 2016, and on the insourcing of security staff. There has been one significant breach of security this year, but all major remedial actions relating to the security breach have been implemented. Whilst a number of substantial security risks cannot be eliminated, I am confident that the measures taken to deal with those risks are stable or improving and that the security of the parliamentary estate has been maintained and, in some respects, improved.

Information Security

Information security continues to be an important issue for the House Service. The increased use of mobile devices, including those personally owned, to access parliamentary information presents a challenge. A policy setting out staff responsibilities when using mobile devices to access parliamentary information was issued in November 2014 and the SIROs hosted a cyber-risk workshop in January 2015 as a result of which work is underway to refresh the statement of information security risk appetite.

In the coming year an ambitious work plan is being prepared to address the issues which have been highlighted in reviews and audits carried out in 2014. There will also be some change in governance including the formation of the new Cyber Authority which will oversee enhancements to cyber security.

The House has a process for reporting incidents of equipment and information loss or misuse in place. During 2014-15 no incidents involving personal data required the Information Commissioner's Office (ICO) to be informed.

Business resilience

Business resilience across the House, which is monitored by the Business Resilience Group, has been developed and strengthened. Following an external audit in July 2014, Parliament's business

resilience plans have been accredited to the ISO22301:2012 standard. A schedule of exercises has been delivered throughout the year to validate the Incident Management Framework arrangements and a live exercise, including activation of the IMF, was carried out with the emergency services to test the response to an incident in the Elizabeth Tower. The IMF has been successfully used to respond to and manage a range of incidents and their consequences, including the failure of external water supplies. Work is also continuing to deliver the relocation contingencies programme.

Previous governance statements have reported on the issue of electrical resilience. I am pleased to report that in the last year the resilience of the electrical supply has been increased, although work is continuing to improve the situation further. PICT (now PDS) has attempted to strengthen IT resilience throughout the year, in line with the objectives of the ICT Strategy. Improvements to the systems have significantly increased the ability of staff to work remotely, thus increasing resilience across all departments.

Estates issues

The Palace of Westminster is a vital part of our cultural heritage and upkeep and maintenance of the building for future generations is one of our most important duties as stewards of this institution. I am also conscious in this context of my statutory responsibilities for compliance with fire safety and environmental regulations. We are compliant with all statutory requirements for environmental performance, apart from one area which is currently being addressed within a refurbishment programme.

The Management Board has visibility of the fire safety risk which is managed at departmental level. The occupied premises are compliant with the relevant fire safety legislation but further work is required to bring the premises and training of all site users up to the highest standards. Both Houses are committed to the continuous improvement of fire safety on the estate. The 2013 inspection by the Crown Premises Inspection Group underscored the need to improve fire safety but found that our approach to fire safety is robust and that planned improvements are progressing, and recognised our commitment to achieve life safety standards in all occupied buildings by 31 December 2018. The Fire Safety Improvement Works programme co-ordinating and delivering these works is underway and I am satisfied that adequate plans are in place to improve the situation within a reasonable timescale.

All Estates activities are programmed and coordinated by the Parliamentary Estates Directorate and monitored by the Parliamentary Estates Board. Work has continued on options to ensure the long-term future of the historic Palace of Westminster and the wider Parliamentary estate. The independent appraisal of options for the restoration of the Palace, mentioned in last year's statement, was published on 18 June 2015. A Joint Committee of both Houses is expected to be appointed shortly to consider next steps. Work is also continuing on a variety of other programmes and projects, many of which have interdependencies with restoration of the Palace, notably the Northern Estate Programme. While the Northern Estate Programme has encountered some challenges during the course of the year, due to lack of staff resource in some key areas and concerns about plans for decant accommodation, work to address these issues is continuing.

Health and Safety

There have been a number of improvements since last year, with all Heads of Department apart from the Director General of Facilities reporting that they were content with health and safety arrangements in their business area. The two Houses agreed a joint health and safety policy in July 2014. However there is still much work to be done. During the course of the year internal audit, using specialist support from their external partner, conducted a safety risk management review. The review highlighted continuing issues with the House's management of contractors with regard to health and safety, and wider concerns about health and safety culture within the House Service. Work to address the issues raised by the review is continuing and I expect to see significant progress made this year.

Staffing issues

Work on a revised Respect policy, mentioned in last year's statement, has now concluded successfully, following agreement by the relevant Member Committees and the House. Work is also continuing under the People Strategy to deliver changes to the capacity of our staff and strengthen

our culture of performance management with the introduction of a new competency framework and the development of a new performance management system, to be implemented this year, although progress has been slower than anticipated.

We have engaged large numbers of staff in consultation about the new Strategy for the House Service, and will look to build on that work this year as we review our values. Further progress has also been made on the House-wide Diversity and Inclusion Scheme. There is now a much greater focus on diversity and inclusion in terms of policy and practice than there was at the beginning of the Scheme, senior managers are demonstrating leadership in D&I and departments are mainstreaming this into their business. The Management Board held a number of meetings with representatives of the House's Workplace Equality Networks and this initiative will continue in the forthcoming year.

General Election Planning

In last year's statement my predecessor reported that the General Election Planning Group (GEPG) were overseeing preparations for the General Election. In the run up to the election work intensified, with staff from across the organisation engaging on a range of initiatives under the direction of the GEPG to ensure the House Service was as prepared as possible for the arrival of new Members. I am pleased to report that this work has been very successful, exemplified by the smooth operation of the New Members' Reception Area and the widespread positive feedback for the "buddy" system for new Members. It has been an excellent example of unified working from staff across the House from all departments and at all grades.

House of Lords

There is an important bicameral element to the work of the Management Board. For this reason, a robust relationship between the administrations of the two Houses is needed to enable both of them to deliver our objectives effectively. The existence of a Board-level risk on this issue reflects the importance that is placed on the relationship. The risk is managed at Board level and was discussed by the Board several times during the year. There has been real progress on exploring possibilities for joint working with the establishment of a review of joint working, to report later this year, alongside developments like the creation of the combined procurement service, mentioned above, and the establishment of three new joint bodies: the Joint Investment Board, the Digital Strategy Board and the Parliamentary Estates Forum to facilitate joint decision making on bicameral issues. Bicameral issues are also considered at joint meetings of the two Houses' Audit Committees, providing joint oversight in these areas.

D Natzler
Accounting Officer

10 July 2015

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 2015. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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

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

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 report.

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 a Departmental Expenditure Limit equivalent (Resource and Capital), non-budget (Resource and Capital) and 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

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 2015, 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

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 2015 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Financial Reporting Manual as applied by the House of Commons.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Financial Reporting Manual as applied by the House of Commons; 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

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

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

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

Date: 14 July 2015

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Financial Reporting Manual (FRM) requires the House to prepare a Statement of Parliamentary Supply with supporting notes to show outturn against the Supply Estimate presented to Parliament. It further compares the outturn performance against the Department Equivalent Limit equivalent (DEL equivalent) expenditure control set by the Estimate.

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

Summary of Resource and Capital Outturn 2014-15

		Estimate			Outturn			2014-15	2013-14	
								Voted	Outturn	
								outturn		
								compared		
								with		
								Estimate:		
								saving/		
								(excess) ¹⁰		
								£000		
Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Total		
	£000	£000	£000	£000	£000	£000	£000	£000		
Departmental Expenditure Limit equivalent¹¹										
Resource	2.1	208,150	1,500	209,650	198,252	1,044	199,296	9,898	201,720	
Pension transfer		-	-	-	(141,863)	-	(141,863)	141,863	-	
Capital	2.2	38,400	300	38,700	30,652	203	30,855	7,748	24,401	
Total		246,550	1,800	248,350	87,041	1,247	88,288	159,509	226,121	

Net cash requirement 2014-15

Note	2014-15	2014-15	2014-15	2013-14
	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess) ¹⁰	Outturn
	£000	£000	£000	£000
SoPS 4	666,710	614,122	52,588	184,724

Administration Costs 2014-15

Note	2014-15	2014-15	2013-14
	Estimate	Outturn	Outturn
	£000	£000	£000
SoPS 3	209,650	56,039	196,720

¹⁰ Explanations of variances between the Estimate and Outturn are given in the Management Commentary (Page 5).

¹¹ DEL equivalent represents Departmental Expenditure Limit equivalent as defined in the Main Estimate (HC1231) and Supplementary Estimate (HC965)

Reconciliations and other supporting notes to the Statement of Parliamentary Supply (SoPS)

SoPS 1 Financial policies adopted

SoPS 1.1 Accounting policies and conventions

These are in line with those used in the preparation of the Primary Financial Statements. Further details can be found at Note 1 (page 36)

SoPS 1.2 Budgeting policies

The budgeting policies adopted are consistent with the HM treasury 2014-15 Consolidated Budgeting Guidance and Supply Estimate Guidance Manual where appropriate to the requirements of the House of Commons.

SoPS 2. Net outturn

SoPS 2.1 Analysis of net resource outturn

	Estimate			Outturn			2014-15 Variance net Outturn to Estimate £000	2013-14 Outturn £000
	Gross	Income	Net	Gross	Income	Net		
	£000	£000	£000	£000	£000	£000		
Spending in DEL equivalent	224,350	(16,200)	208,150	71,283	(14,894)	56,389	151,761	201,720
Non-voted	1,500	-	1,500	1,044	-	1,044	456	-

SoPS 2.2 Analysis of net capital outturn

	Estimate			Outturn			2014-15 Variance net Outturn to Estimate £000	2013-14 Outturn £000
	Gross	Income	Net	Gross	Income	Net		
	£000	£000	£000	£000	£000	£000		
Spending in DEL equivalent	38,400	-	38,400	31,002	(350)	30,652	7,748	24,401
Non-voted	300	-	300	203	-	203	97	-

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

	Note	2014-15	2013-14
		£000	£000
		Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply	SoPS 2.1		
Voted		56,389	201,720
Non-Voted		1,044	-
Donations classified as capital income		(350)	(5,000)
Net Operating Cost in Statement of Comprehensive Net Expenditure after pension transfer		57,083	196,720
Pension Transfer	17.1	141,863	-
Net Operating Cost in Statement of Comprehensive Net Expenditure before pension transfer		198,946	196,720

SoPS 4. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate	Outturn	Net total outturn compared with estimate: saving/(excess)
		£000	£000	£000
Resource Outturn	SoPS 2.1	209,650	57,433	152,217
Capital Outturn	SoPS 2.2	38,700	30,855	7,845
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Non-cash items – other administration costs	5	(26,090)	123,135	(149,225)
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in inventories	13	-	(65)	66
Increase/(decrease) in receivables	15	(3,750)	19,884	(23,633)
(Increase)/decrease in payables	16	-	(1,381)	1,381
Use of provision	17	450,000	385,508	64,492
Removal of non-voted budget items	SoPS 2.1, SoPS 2.2	(1,800)	(1,247)	(553)
Net Cash Requirement		666,710	614,122	52,590

Primary Financial Statements

Statement of Comprehensive Net Expenditure

For the Year ended to 31 March 2015

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	2014-15 £000	2013-14 £000
Administration Costs			
Staff Costs	3	84,254	90,956
Other costs	5	126,499	120,495
Grants paid	6	3,437	3,365
Income	7	(15,244)	(18,096)
Net Operating Cost before pension transfer for the year ended 31 March 2015		198,946	196,720
Pension transfer	5, 17.1	(141,863)	-
Net Operating Cost after pension transfer for the year ended 31 March 2015		57,083	196,720
Total expenditure	3, 5, 6	72,327	214,816
Total income	7	(15,244)	(18,096)
Net Operating Cost for the year ended 31 March 2015		57,083	196,720

Other Comprehensive Net Expenditure

		2014-15 £000	2013-14 £000
Net (gain)/loss:			
-	revaluation of Property, Plant and Equipment	(32,240)	(18,543)
-	pension liabilities due to changes in actuarial assumptions	-	42,100
Total Comprehensive Expenditure for the year ended 31 March 2015		24,843	220,277

Statement of Financial Position

As at 31 March 2015

This statement presents the financial position of the House. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

		31 Mar 2015		31 Mar 2014	
	Note	£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	8	996,358		952,838	
Intangible assets	10	666		663	
Total non-current assets			997,024		953,501
Current assets:					
Inventories	13	490		555	
Trade and other receivables	15	35,702		15,818	
Cash and cash equivalents	14	7,032		13,026	
Total current assets			43,224		29,399
Total assets			1,040,248		982,900
Current liabilities					
Trade and other payables	16	(37,859)		(41,246)	
Provisions					
Total current liabilities			(37,859)		(41,246)
Total assets less current liabilities			1,002,389		941,654
Non-current liabilities					
Provisions	17	(3,493)		(532,143)	
Total non-current liabilities			(3,493)		(532,143)
Total assets less liabilities			998,896		409,511
Taxpayers' equity and other reserves:					
General fund		776,839		215,275	
Revaluation reserve		219,790		190,743	
House of Commons Commission reserve		2,267		3,493	
Total equity			998,896		409,511

D Natzler
Accounting Officer
10 July 2015

Statement of Cash Flows

For year ended 31 March 2015

The Statement of Cash Flows shows the changes in cash and cash equivalents of the House during the reporting period. The statement shows how the House generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the House. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Houses' future public service delivery. Cash flows arising from financing activities include Parliamentary Supply and other cash flows.

	Note	2014-15 £000	2013-14 £000
Cash flows from operating activities			
Net operating cost		(57,083)	(196,720)
Adjustments for non-cash transactions	5	(123,135)	40,939
(Increase)/Decrease in trade and other receivables	15	(19,884) ¹²	(1,053) ¹²
(Increase)/Decrease in inventories	13	65 ¹³	(40) ¹³
Increase/(Decrease) in trade payables	16	(3,387) ¹⁴	18,272 ¹⁴
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	16	4,768 ¹⁵	(10,228) ¹⁵
Use of provisions	17	(385,508)	(7,582)
Donated Asset	7	(350)	(5,000)
Net cash outflow from operating activities		(584,514)	(161,412)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(30,547)	(24,393)
Purchase of intangible assets	10	(308)	(166)
Capital element of payment in respect of finance lease and on balance sheet (SOPF) Service concession contracts		-	1,247
Net cash outflow from investing activities		(30,855)	(23,312)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		609,354	193,705
Interest received on Commission Reserve Balance		21	25
Net financing		609,375	193,730
Net increase/(decrease) in cash and cash equivalents in the period before and after adjustment for receipts and payments to the Consolidated Fund		(5,994)	9,006
Cash and cash equivalents at the beginning of the period	14	13,026	4,020
Cash and cash equivalents at the end of the period	14	7,032	13,026

¹² This reflects the increase in figure from £15,818,000 (2013-14) to £35,702,000 (2014-15).

¹³ This reflects the decrease in figure from £555,000 (2013-14) to £490,000 (2014-15).

¹⁴ This reflects the decrease in figure from £41,246,000 (2013-14) to £37,859,000 (2014-15).

¹⁵ This reflects the decrease in figure from £9,533,000 (2013-14) to £4,765,000 (2014-15).

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2015

This statement shows the movement in the year on the different reserves held by the House, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. Other earmarked reserves are shown separately where there are statutory restrictions of their use.

	General Fund	Revaluation Reserve	Commission Reserve	Total Reserves
Note	£000	£000	£000	£000
Balance at 31 March 2013	266,233	175,248	3,468	444,949
Net Parliamentary Funding – drawn down	193,705	-	-	193,705
Net Parliamentary Funding – deemed	552	-	-	552
Supply (payable)/receivable adjustment	16 (9,533)	-	-	(9,533)
Net Operating Cost	(196,720)	-	-	(196,720)
Non-Cash Adjustments				
Non-cash charges – auditor's remuneration	5 90	-	-	90
Movement in Reserves				
Additions	-	-	25	25
Recognised in Statement of Comprehensive Expenditure	(42,100)	18,543	-	(23,557)
Transfers between reserves	3,048	(3,048)	-	-
Balance at 31 March 2014	215,275	190,743	3,493	409,511
Net Parliamentary Funding – drawn down	609,354	-	-	609,354
Net Parliamentary Funding - deemed	16 9,533	-	-	9,533
Supply (payable)/receivable adjustment	16 (4,765)	-	-	(4,765)
Net Operating Cost	(55,836)	-	(1,247)	(57,083)
Non-Cash Adjustments				
Non-cash charges – auditor's remuneration	5 85	-	-	85
Movement in Reserves				
Additions	-	-	21	21
Recognised in Statement of Comprehensive Expenditure	-	32,240	-	32,240
Transfers between reserves	3,193	(3,193)	-	-
Balance at 31 March 2015	776,839	219,790	2,267	998,896

Notes to the Accounts

1. Accounting conventions

1.1 Accounting policies

These financial statements have been prepared in accordance with the Financial Reporting Manual (FReM) as adapted or interpreted for the House of Commons context which applies International Financial Reporting Standards (IFRS). 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.

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 2014-15).

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.

A review of sharing ratios between the two Houses was conducted during 2014-15 with an aim to simplify the sharing mechanisms, share the full cost of staff (i.e. the cost of pensions) and to have a standard, agreed default position. The new share ratios will be implemented for the start of the 2015-16 financial year, and have an impact on the financial plans on both Houses.

1.3 Property, plant and equipment

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.

(i) 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 in full by the VOA as at 31 March 2013 but has an interim review each year to reflect any significant changes.

(ii) Long leasehold

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

(iii) 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, and Units A, B and C in Portcullis House. Investment properties in 49 and 50 Parliament Street were subsumed into 53 Parliament Street during the refurbishment of that building.

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.

(iv) Plant and machinery

Plant and machinery includes the Great Clock mechanism and Department of Facilities catering equipment and vehicles. The Great Clock was previously valued using appropriate indices at 31 March 2006. The cost of valuing the Great Clock outweighs the benefit provided, therefore there are no plans currently to re-value it. Catering equipment and vehicles are not re-valued.

(v) 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, certain ICT equipment (including desktop computers, monitors and printers below the threshold) are considered to be grouped assets and therefore are capitalised.

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 and are not subject to a depreciation charge in line with House policy on works of art.

1.5 Heritage Assets

Financial Reporting Standard (FRS 30) requires organisations to provide additional information, within the financial statements, of any heritage assets held by them as at the year end. 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 9.

1.6 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.

A planned revaluation of antique furniture and the Speaker's silver will be carried out in the financial year 2015-16. The last professional valuation was carried out in February 2010 by Paul Davidson MRICS (Bonhams).

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.

1.7 Parliamentary Art Collection

The Parliamentary Art Collection is the national collection of art relating to the history of Parliament. It contains portraits of Parliamentarians and parliamentary events, past and present, wall paintings, sculpture, mosaics and tapestries within the Palace of Westminster. There is also a collection of coins and 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. No valuation for Collection at 31 March 2000 is currently included on the Statement of Financial Position because obtaining a valuation for a collection of this size and diversity would be costly. During 2012-13, it was determined that the benefit received by a valuation exercise at this time would not justify the expense incurred. The House has no plans to conduct any valuation.

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.

The House's duty of care responsibilities for the Parliamentary Art Collection are carried out by the Curator's Office, with the cost of conservation etc charged to the Statement of Comprehensive Net Expenditure. The individual works of art in the Collection are deemed to have indeterminate lives and as such the House does not therefore consider it appropriate to charge depreciation.

1.8 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 House 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 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 antiquarian books held by the British Museum are not valued in line with the practice adopted for the Parliamentary Art Collection. As such they are not shown in the Statement of Financial Position.

1.9 The Speaker's state coach

The Speaker's state coach is a seventeenth century gilt wood and painted carriage. Following a programme of conservation and repair in 2007-08, it was loaned to the National Trust for public display at the carriage Museum at Arlington Court (Devon). It is expected to remain at Arlington Court during 2015. As part of the loan agreement, the National Trust has provided a £1.6 million level of indemnity to provide for any damage that may occur whilst the asset is on loan.

The value of the Speaker's state coach is not currently valued on cost benefit and practicality grounds. It is not therefore shown in the Statement of Financial Position.

1.10 Archives

(i) Broadcasting

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 to date have been stored for five years on site at 7 Millbank after which they

were transferred to a specialist archive facility. 38,000 video tapes and 36,000 audio tapes are held in the collection. Audio dates from 1978 and the House of Commons video collection dates from 1989.

In 2015 Parliament will begin the process of digitising the video tapes in order to preserve the content stored on the ageing video tapes. Audio tapes will continue to be held in storage.

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 with a small fee applied to cover the costs of transfer. Consequently, the value for this archive is not included on the Statement of Financial Position.

(ii) Parliamentary

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 born-digital and digitised records. 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. Full details of the Parliamentary Archives acquisition policy are also available at this web address.

1.11 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.

1.12 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.

1.13 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 assets such as software licences are in the following ranges:

Property:	Years
Land	not applicable
Palace of Westminster	81
Freehold property (excluding Portcullis House)	20-40
Portcullis House	47
Leasehold property	15-33
Plant and equipment:	Years
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

1.14 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.

1.15 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.

1.16 Inventories

Inventories are valued as follows:

- 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.
- Work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

1.17 Research and development expenditure

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

1.18 Operating income

Operating income relates directly to the operating activities of the House of Commons and includes private bill fees, royalties, refreshments, books, videos, fees from filming, souvenirs and visitor ticket sales. Fees and charges are set in accordance with the House of Commons policy which is published via <http://www.parliament.uk/site-information/foi/transparency-publications/hoc-transparency-publications/financial-information/financial-policies/>

1.19 Foreign exchange

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

1.20 Pensions

During the year the House of Commons Staff Pension Scheme (HOCSPS), transferred to the Cabinet Office administered Principal Civil Service Pension Scheme (PCSPS). The scheme runs on the same principles as the HOCSPS; a defined benefit scheme, generally unfunded but with some contribution by members towards the benefits accrued. In previous years the House recognised the expected cost of these elements on a systematic and rational basis over the period during which it benefited from employees' services by payment to the HOCSPS of notional amounts calculated on an accruing basis. The pension provision no longer appears within the financial statements.

1.21 Early departure costs

Prior to the transfer of the HOC staff pension fund to the PCS pension fund, the House of Commons met the cost of benefits beyond the main pension benefits in respect of employees who retire early. These costs were identified separately in the 2013-14 accounts.

1.22 Leases

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

1.23 Private Finance Initiative (PFI) transactions

During 2013-14 the House entered into a service concession agreement (see Note 11.3). This contract has been disclosed in accordance with the appropriate accounting standards (IFRIC 12: Service Concession Arrangements and IAS 17: Leases).

1.24 Provisions

The House of Commons makes provision for dilapidations and legal costs. The accounts historically made provisions for pension, including early departure costs, but this is no longer relevant as the HOCSPS has transferred and aligned with the PCSPS. The historic House of Commons Staff Pension Scheme (HOCSPS) was valued in accordance with the accounting standard IAS 19 for 2013-14.

1.25 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.

1.26 VAT and Corporation Tax

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.

1.27 Third party assets

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

1.28 Impending application of newly issued accounting standards not yet effective

There are no newly issued accounting standards not yet effective that would have a significant impact on these financial statements.

1.29 Segmental Reporting

The analysis provided at Note 2 meets the reporting requirement of International Financial Reporting Standard, Operating Segments (IFRS 8).

1.30 House of Commons Commission Reserve

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

2. 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.

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 (until 1 September 2014), 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, 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.

	2014-15									Total £000
	DCCS	DF	DFin	DHR&C	DIS	PICT	OCE/SPK & PSD	PP	CP	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Gross Expenditure	42,179	92,193	3,212	6,901	20,839	18,555	23,216	4,820	(139,588)	72,327
Income	(253)	(10,242)	(2)	(389)	(4,323)	(29)	9	-	(15)	(15,244)
Net Expenditure	41,926	81,951	3,210	6,512	16,516	18,526	23,225	4,820	(139,603)	57,083
Total assets										1,040,248
Net assets										998,896
	2013-14									Total £000
	DCCS	DF	DFin	DHR&C	DIS	PICT	OCE/SPK & PSD	PP	CP	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Gross Expenditure	46,193	66,680	3,380	8,144	20,992	19,431	24,796	5,104	20,096	214,816
Income	(384)	(9,128)	(3)	(288)	(8,160)	(1)	(132)	-	-	(18,096)
Net Expenditure	45,809	57,552	3,377	7,856	12,832	19,430	24,664	5,104	20,096	196,720
Total assets										982,900
Net assets										409,511

2.1. Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure

	2014-15 £000	2013-14 £000
Total net expenditure per statement of comprehensive net expenditure by operating net segment	57,083	196,720
Net (gain)/loss on revaluation of Property, Plant and Equipment	(32,240)	(18,543)
Net (gain)/loss pension liabilities due to changes in actuarial assumptions	-	42,100
Total net expenditure per Statement of Comprehensive Net Expenditure	24,843	220,277

The revaluation of the Parliamentary Estate during the financial year resulted in a net gain of £28,754,000 reflecting an improvement in the property market and changes to the tender price index and location factor used for interim valuations. The net revaluation gain of £28,754,000 has been allocated between the Revaluation Reserve (£32,240,000) and the Statement of Comprehensive Net Expenditure £3,485,000.

3. Staff costs and related numbers

Staff costs comprise:

	2014-15 Charged to revenue budgets	2014-15 Charged to capital budgets	2014-15 Total	2013-14*
	£000	£000	£000	£000
Wages and salaries	61,134	428	61,562	63,894
Social security costs	5,160	40	5,200	5,335
Other pension costs (2013-14 non-cash)	12,421	92	12,513	14,697
Contributions to stakeholder pensions	108	-	108	108
Sub Total	78,823	560	79,383	84,034
Inward secondments/agency staff	6,437	-	6,437	7,739
Sub Total	85,260	560	85,820	91,773
Less recoveries in respect of outward secondments	(1,006)	-	(1,006)	(817)
Total net costs	84,254	560	84,814	90,956

* No staff costs were charged to capital budgets during 2013-14

The variance between the 2013-14 figures and the 2014-15 outturn are due to the inclusion of the pay award in the 2013-14 figures. This comprises of the back dated pay and the non-consolidated element.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme in which the House of Commons is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the annual accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2014-15, employers' contributions of £12,513,000 were payable to the PCSPS (2013-14: no contributions were payable to the PCSPS but £14,697,000 was chargeable to the HOCSPS) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates have been revised with effect from 1 April 2015. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £107,867 (2013-14: £107,779) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% up to September 2015 and from 8% to 14.75% from October 2015 of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £9k (2013-14; not applicable) of pensionable pay, which is included within the £12,513,000 paid to PCSPS, were payable to the PCSPS to cover the costs of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £10,848.11.

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:

	2014-15	2013-14
Average number (<i>permanent staff</i>)	1,766	1,726
Average number (<i>agency staff</i>)	51	53

4. Compensation schemes – exit packages

Exit package cost	Number of redundancies		Number of other departures agreed	
	2014-15	2013-14	2014-15	2013-14
<£10,000	-	1	4	4
£10,000 - £25,000	-	1	12	25
£25,000 - £50,000	-	-	6	19
£50,000 - £100,000	-	-	2	2
£100,000 - £150,000	-	-	-	1
£150,000 - £200,000	-	-	-	-
Total number of exit packages by type	-	2	24	51
Total Resource cost (£)	-	18,921	601,371	1,373,235

The two redundancies in 2013-14 detailed above reflect end of fixed term contracts, where subject to specific criteria being met, the employee is entitled to a redundancy payment.

Redundancies and other departure costs during 2014-15 have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year that the departure is agreed.

Within the figures above there are eight cases (£256,000) which are also included in note 19.2.

Where the House has agreed early retirements, the additional costs are met by the House and not by the Civil Service pension scheme. Ill-health retirement costs are not included in the table.

5. Other Administration Costs

			2014-15		2013-14
	Note	£000	£000	£000	£000
Rentals under operating leases					
Buildings rental		13,991		10,207	
Other rental		337		373	
Subtotal			14,328		10,580
Non-cash items					
Depreciation	8	16,003		15,338	
Amortisation	10	317		318	
Impairment	8	116		-	
(Profit)/loss on disposal of property, plant & equipment	8	-		158	
Net (gain)/loss on revaluation of property, plant and equipment	2.1	3,485		(9,314)	
Auditors' remuneration and expenses ¹⁶		85		90	
Interest cost	17.1(ii)	-		18,800	
Provision not required written back	17.1(ii), 17.2	(143,141)		535	
Borrowing Costs (Unwinding of discount) on provisions	17.2	-		317	
Total non-cash items			(123,135)		26,242
Service charge element of Finance Lease		459		80	
Interest on Finance Lease		62		24	
Accommodation services		33,149		24,406	
Security		23,849		24,346	
Information		8,937		10,606	
Computer maintenance		6,293		6,223	
Finance and specialist services		4,929		4,004	
Catering and other supplies		3,872		3,937	
Communications		3,504		3,424	
Other staff costs		2,797		2,792	
Travel and subsistence		2,242		2,455	
Interest charges		2,002			
Broadcasting		910		831	
Office supplies		438		545	
			93,443		83,673
Grand Total			(15,364)		120,495

¹⁶ Auditors have received no remuneration for non-audit work

6. Grants paid

	2014-15	2013-14
	£000	£000
Commonwealth Parliamentary Association (UK Branch)	1,192	1,179
History of Parliament Trust	1,062	1,062
Inter Parliamentary Union (British Group)	751	797
British Irish Parliamentary Assembly	117	117
British American Parliamentary Group	77	77
Association of Former Members of Parliament	12	6
Other parliamentary (various)	226	127
	3,437	3,365

Grants to parliamentary bodies are split between the House of Commons and the House of Lords on a 70:30 basis.

7. Income

	2014-15	2013-14
	£000	£000
Receipts from sales	13,605	11,440
Rental receipts and associated charges	741	920
Other receipts	458	720
Fees on private bills	16	16
Grants (from the Speaker's Art Fund)	74	-
	14,894	13,096
Donated Asset (see notes 8 and 9.2 for details)	350	5,000
	15,244	18,096

8. Property, plant and equipment

	Land	Buildings	Dwellings	Heritage Assets	Furniture & Fittings	Plant and Machinery	Information Technology	Payments on Account & Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
As at 1 April 2014	154,296	1,355,401	12,862	22,991	3,045	2,883	18,849	10,945	1,581,272
Additions	-	22,322	16	42	239	2,194	1,168	4,566	30,547
Donations ¹⁷	-	-	-	350	-	-	-	-	350
Disposals	-	-	-	-	(404)	-	(871)	-	(1,275)
Impairments	-	(116)	-	-	-	-	-	-	(116)
Reclassifications	997	9,301	-	2	-	-	24	(10,336)	(12)
Revaluations ¹⁸	13,478	35,050	1,709	-	-	-	-	-	50,237
At 31 March 2015	168,771	1,421,958	14,587	23,385	2,880	5,077	19,170	5,175	1,661,003
Depreciation									
At 1 April 2014	-	612,681	698	-	1,772	724	12,559	-	628,434
Charge in the year	-	13,673	234	-	266	115	1,715	-	16,003
Disposals	-	-	-	-	(404)	-	(871)	-	(1,275)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	-	21,338	145	-	-	-	-	-	21,483
At 31 March 2015	-	647,692	1,077	-	1,634	839	13,403	-	664,645
Carrying amount at 31 March 2014	154,296	742,720	12,164	22,991	1,273	2,159	6,290	10,945	952,838
Carrying amount at 31 March 2015	168,771	774,266	13,510	23,385	1,246	4,238	5,767	5,175	996,358

¹⁷ Under the 'Acceptance in lieu' scheme, the House of Commons was allocated a painting by Sir Winston Churchill (£350,000)

¹⁸ Land and Buildings were valued in March 2015 by Marc Seabrook, FRICS of Valuation Office Agency.

	Land	Buildings	Dwellings	Heritage Assets	Furniture & Fittings	Plant and Machinery	Information Technology	Payments on Account & Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
As at 1 April 2013	142,922	1,301,453	11,771	17,923	3,224	2,776	18,690	6,882	1,505,641
Additions	-	17,213	-	68	119	107	2,823	4,063	24,393
Donations ¹⁹	-	-	-	5,000	-	-	-	-	5,000
Disposals	-	-	-	-	(298)	-	(2,664)	-	(2,962)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations ²⁰	11,374	36,735	1,091	-	-	-	-	-	49,200
At 31 March 2014	154,296	1,355,401	12,862	22,991	3,045	2,883	18,849	10,945	1,581,272
Depreciation									
At 1 April 2013	-	578,416	420	-	1,776	702	13,243	-	594,557
Charge in the year	-	12,990	210	-	294	22	1,822	-	15,338
Disposals	-	-	-	-	(298)	-	(2,506)	-	(2,804)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	-	21,275	68	-	-	-	-	-	21,343
At 31 March 2014	-	612,681	698	-	1,772	724	12,559	-	628,434
Carrying amount at 31 March 2013	142,922	723,037	11,351	17,923	1,448	2,074	5,447	6,882	911,084
Carrying amount at 31 March 2014	154,296	742,720	12,164	22,991	1,273	2,159	6,290	10,945	952,838

¹⁹ The House of Commons agreed to take ownership responsibilities for Henry Moore's sculpture 'Knife Edge – Two Piece' (£5,000,000) at the request of Department for Culture, Media and Sport.

²⁰ Land and Buildings were valued in March 2013 by Marc Seabrook, FRICS of Valuation Office Agency.

Land and Buildings analysed by Net Book Value

Analysed by individual land, buildings and investment property

	31 March 2015			
	Land £000	Buildings £000	Investment £000	Total £000
Palace of Westminster ²¹	82,800	482,177	-	564,977
Portcullis House	37,659	200,657	-	238,316
Norman Shaw North	15,240	16,510	-	31,750
1 Parliament Street	10,879	14,421	-	25,300
Norman Shaw South	7,203	9,547	-	16,750
1 Derby Gate	6,579	8,721	-	15,300
1 Canon Row	5,856	6,344	-	12,200
49-53 Parliament Street	2,555	4,745	-	7,300
Visitors Reception building	-	6,417	-	6,417
Improvements to leasehold buildings	-	5,418	-	5,418
3 Parliament Street	1,800	2,200	-	4,000
2 Parliament Street	1,750	1,750	-	3,500
4 Canon Row	1,264	1,166	-	2,430
2 Canon Row	945	1,155	-	2,100
102 Rochester Row	349	481	-	830
22 John Islip Street	423	227	-	650
Abingdon St Car Park	-	-	4,550	4,550
Units A, B & C Portcullis House	-	-	9,170	9,170
10 Bridge Street	-	-	3,740	3,740
11 Bridge Street	-	-	1,850	1,850
Net Book Value at 31 March 2015	175,302	761,936	19,310	956,548

	31 March 2014			
	Land £000	Buildings £000	Investment £000	Total £000
Palace of Westminster ²²	74,400	467,647	-	542,047
Portcullis House	37,072	194,569	-	231,641
Norman Shaw North	13,920	15,080	-	29,000
1 Parliament Street	10,363	13,737	-	24,100
Norman Shaw South	6,794	9,006	-	15,800
1 Derby Gate	6,226	8,253	-	14,479
1 Canon Row	5,520	5,980	-	11,500
Visitors Reception building	-	6,144	-	6,144
Improvements to leasehold buildings	-	5,310	-	5,310
3 Parliament Street	1,532	1,873	-	3,405
2 Parliament Street	1,500	1,500	-	3,000
4 Canon Row	1,225	1,130	-	2,355
2 Canon Row	928	1,039	-	1,967
102 Rochester Row	336	464	-	800
22 John Islip Street	395	242	-	637
Abingdon St Car Park	-	-	4,585	4,585
Units A, B & C Portcullis House	-	-	7,800	7,800
10 Bridge Street	-	-	3,000	3,000
11 Bridge Street	-	-	1,610	1,610
Net Book Value at 31 March 2014	160,211	731,974	16,995	909,180

²¹ The total value of the Palace at 31 March 2015 was £941,627,800 (House of Commons' share £564,977,000)

²² The total value of the Palace at 31 March 2014 was £903,411,000 (House of Commons' share £542,047,000)

9. Heritage assets

9.1 Antique furniture and Speaker's silver

The collection consists of:

	House of Commons Number of items	Shared with House of Lords Number of items
Clocks	98	6
Silver (non Speaker's silver)	67	-
Furniture	3,639	1,782
Other	198	10
	4,002	1,798
Speaker's silver	1,098	-
	5,100	1,798

Most of the items are in continual use throughout the estate. Those items in storage are either held on-site or by a third party in secured off-site storage facilities.

The House's detailed management, preservation, disposal and access policy has been submitted to the Parliamentary Estates Board for approval. Subject to the approval of the House, the Head of Historic Collection (Furniture and Decorative Arts) in the Parliamentary Estates Directorate may dispose of items from the collection, although this will only happen in exceptional circumstances and will be in accordance with the Museum Association's disposal policy²³. The vast majority of items in the collection were acquired over forty years ago.

Note 8 includes the value of the Antique furniture (£13,729,930) plus Speaker's silver (£2,537,485).

9.2 Parliamentary Art Collection

The Collection has over 8,500 works of art, over 80% of which are on display throughout the buildings of the Parliamentary Estate at any one time. The earliest pieces date from the medieval age, with major holdings dating from the 18th, 19th and 20th centuries, and significant contemporary holdings also. Although historically this is 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 its share.

The collection comprises the following categories:

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

During the year a painting by Sir Winston Churchill, Coast Scene near Cannes, was allocated to the House of Commons under the 'Acceptance in Lieu' Scheme. The painting has a tax settlement value of £350,000.

The Parliamentary Art Collection is managed by the Curator's Office, which is responsible for all aspects of its management, care, conservation, documentation, presentation and interpretation in accordance with the policies that are approved by the Speaker's Advisory Committee Works of Art. Further details, including examples of

²³ <http://www.museumsassociation.org/collections/disposal-toolkit-and-training>

some of the artwork, can be found on the 'Art in Parliament' website at www.parliament.uk/art.

The Advisory Committee seeks to acquire 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

An active loans policy is pursued, with works of art acquired on loan to fill gaps in the Collection. Loans are from both public bodies and 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 will not acquire, whether by purchase, gift, bequest or transfer, 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 policy for the Parliamentary Art Collection was approved during 2012-13.

9.3 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 collection which is on public display in the Medals Corridor in the House of Commons where it can be viewed.

9.4 Ceremonial items

The House's collection of ceremonial items consists of the 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.

10. Intangible assets

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

	Development Expenditure	Software Licences	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2014	6	1,977	1,983
Additions	-	308	308
Disposals	-	(217)	(217)
Reclassifications	-	12	12
At 31 March 2015	6	2,080	2,086
Amortisation			
At 1 April 2014	-	1,320	1,320
Charged in year	-	317	317
Disposals	-	(217)	(217)
Reclassifications	-	-	-
At 31 March 2015	-	1,420	1,420
Carrying amount at 31 March 2014	6	657	663
Carrying amount at 31 March 2015	6	660	666

	Development Expenditure	Software Licences	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2013	391	1,590	1,981
Additions	6	160	166
Disposals	-	(164)	(164)
Reclassifications	(391)	391	-
At 31 March 2014	6	1,977	1,983
Amortisation			
At 1 April 2013	87	1,079	1,166
Charged in year	-	318	318
Disposals	-	(164)	(164)
Reclassifications	(87)	87	-
At 31 March 2014	-	1,320	1,320
Carrying amount at 31 March 2013	304	511	815
Carrying amount at 31 March 2014	6	657	663

11. Capital and other commitments

11.1 Capital commitments

	<u>2014-15</u>	<u>2013-14</u>
	<u>£000</u>	<u>£000</u>
Contracted capital commitments at 31 March not otherwise included in these financial statements for property, plant and equipment.	19,115	12,421

11.2 Commitments under leases - 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.

	<u>2014-15</u>	<u>2013-14</u>
	<u>£000</u>	<u>£000</u>
Obligations under operating leases comprise:		
Buildings		
Not later than one year	15,620	10,452
Later than one year and not later than five years	62,480	41,808
Later than five years	101,452	35,489
Total	179,552	87,749
Other ²⁴		
Not later than one year	59	172
Later than one year and not later than five years	2	1
Later than five years	-	-
Total	61	173

11.3 Commitments under PFI and other service concession arrangements

(i) On-balance sheet (SoFP)

During 2013/14, the Houses of Parliament contracted with a supplier to provide and maintain specific parts of the IT network. Under IFRIC 12, the provision of assets by the supplier is considered to be an asset of the Houses of Parliament and is capitalised. Consequently, the contract is considered to include a finance lease comprising two elements – imputed finance lease charges and service charges.

²⁴ 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.

Details of the imputed finance lease charges are given in the table below for each of the following periods.

	2014-15	2013-14
	£000	£000
Rentals due within one year	342	342
Rentals due later than one year but not later than five years	713	1,055
Rentals due later than five years	-	-
	1,055	1,397
<i>Less: interest element</i>	(88)	(150)
<i>Present value of obligations</i>	967	1,247

Details of the minimum service charge are given in the table below for each of the following periods.

	2014-15	2013-14
	£000	£000
Service charge due within one year	555	463
Service charge due later than one year but not later than five years	1,047	1,427
Service charge due later than five years	-	-
Total	1,602	1,890

(ii) Charge to the Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of off-balance sheet (SoFP) PFI or other service concession transactions and the service element of on-balance sheet PFI or other service concession transactions was £459,236 (2013-14: £80,000).

12. Financial instruments

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

12.1 Liquidity risk

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

12.2 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.

12.3 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.

12.4 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 2015.

		Book Value	Fair Value
	Note	£000	£000
Primary financial instruments			
Financial assets			
Cash and cash equivalents	14	7,032	7,032
Trade and other receivables	15	28,372	29,373
Financial liabilities			
Trade and other payables	16	33,094	33,206

13. Inventories

	2014-15	2013-14
	£000	£000
Retail	340	330
Catering	58	123
Store equipment	78	90
Other	14	12
	490	555

14. Cash and cash equivalents

	2014-15	2013-14
	£000	£000
Balance at 1 April	13,026	4,020
Net change in cash and cash equivalent balances	(5,994)	9,006
Balance at 31 March	7,032	13,026

The following balances at 31 March were held at:

Government Banking Service	3,238	9,206
Commercial banks and cash in hand	280	327
House of Commons Commission Reserve account (see note 1.30)	3,514	3,493
Balance at 31 March	7,032	13,026

15. Trade receivables, financial and other assets

	2014-15	2013-14
	£000	£000
Amounts falling due within one year:		
Trade receivables	27,152	5,608
Deposits and advances	575	519
VAT and other taxes	645	728
Prepayments and accrued income	7,197	8,901
	35,569	15,756
Amounts falling due after more than one year:		
Prepayments and accrued income	133	62
	35,702	15,818

Trade receivables includes £23.0 million due from the Cabinet Office in respect of an overpayment on the pension transfer valuation.

16. Trade payables and other current liabilities

	2014-15	2013-14
	£000	£000
Amounts falling due within one year:		
Other taxation and social security	1	1,696
Trade payables	547	2,825
Other payables	6,401	3,885
Accruals and deferred income	25,178	22,060
Current part of imputed finance lease element of on-balance sheet (SoFP) service concession arrangements	967	1,247
	33,094	31,713
Amounts issued from the Consolidated Fund for supply but not spent at year end	4,765	9,533
	37,859	41,246
There are no amounts due to be paid after one year	-	-

17. Provisions for liabilities and charges**17.1 Pensions****(i) Overview**

The Commission agreed to merge the House of Commons Staff Pension Scheme (HOCSPS) with the PCSPS with effect from 1 April 2014, in order:

- to remove volatility from the House's accounts arising from changes in pension valuations; thus improving financial planning and financial management; and
- to simplify pension administration

The historic pension liabilities subsequently moved from these accounts to a Cabinet Office account financed through the Central Government Main Supply Estimate. From 2014-15 the employer's cost of providing benefits earned during the current year will be fixed in advance and shown as a cash payment to the PCSPS rather than notional pension contributions. The merger should therefore help to reduce the cost volatility that has previously arisen.

(ii) Movement on pension liabilities

The initial estimate of the transfer payment was calculated by the Government Actuary's Department (GAD) using the assumptions for the funding valuation of the PCSPS as at 31 March 2012. These are different to the assumptions used under International Accounting Standard (IAS19) which was used to value the HOCSPS previously. The transfer value was initially estimated to be around £430.0 million using these assumptions, compared to £525.2 million under IAS19.

A payment on account of £410.0 million was made to the Cabinet Office in July. A further draft transfer figure of £385.0 million (excluding a £2.0 million interest charge) was provided by GAD at the end of 2014-15. This provisional figure has been used for these accounts and has led to an exceptional gain to the statement of financial performance of £141.9 million, after adjusting for early departure costs of £1.8 million. The balance between the provisional figure and the payment made to the Cabinet Office, £23.0 million, is recognised in the accounts as a trade receivable (Note 15).

	2014-15	2013-14
	£000	£000
Balance at 1 April	525,212	456,023 ²⁵
Current service cost:		
- Employer's contribution ²⁶	-	14,697
- Employees' contribution	-	3,830
Benefits paid during year	-	(12,306)
Transfers in /less transfers out	-	2,068
Interest cost on liabilities ²⁷	-	18,800
Actuarial gains/(losses) ²⁸	-	42,100
Transfer of Liabilities	(525,212)	-
Balance at 31 March	-	525,212

(iii) Risk and uncertainty

As the final figures have yet to be calculated, provisional figures have been used. There is therefore always an underlying risk that the final figures vary from the provided figures and that will have consequential effects on the next financial year's resource requirement. The range of possible outcome is between £384.5 million and £390.6 million. The variance is based on the calculation of the guaranteed minimum pension (GMP).

(iv) Historical pensions costs shown against the Administration Estimate

The historic costs and breakdown of the HoCSPS can be found in the 2013-14 Administration Annual Accounts HC 470

²⁵ Figure provided in actuarial report reflects a rounded figure rather than closing position from previous year's accounts.

²⁶ For 2013-14 the employer's contribution rate was 24.8% of pensionable pay.

²⁷ This is based on the previous year's discount rate (4.1%) applied to the previous year's pension liability (£456 million) before other actuarial adjustments.

²⁸ The actuarial adjustment represents changes to financial assumptions (£47.2 million), experience gains and losses arising on pension liabilities (£1.1 million) and changes to mortality assumptions (£1.5 million) less changes to other demographic assumptions (£7.7 million)

17.2 Other provisions

	Early Departure Costs	Legal Claims & Other	Dilapidation Costs	Voluntary Exits	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2013	1,955	102	4,546	650	7,253
Provided in the year	111	31	26	484	652
Provisions not required written back	-	(1)	-	(116)	(117)
Provisions utilised in the year	(539)	(101)	-	(534)	(1,174)
Borrowing costs (unwinding of discounts)	317	-	-	-	317
Balance at 31 March 2014	1,844	31	4,572	484	6,931
Provided in the year	-	9	991	-	1,000
Provisions not required written back	(1,844)	-	(2,086)	-	(3,930)
Provisions utilised in the year	-	(24)	-	(484)	(508)
Borrowing costs (unwinding of discounts)	-	-	-	-	-
Balance at 31 March 2015	-	16	3,477	-	3,493

Early departure costs

The House met the additional cost of benefits beyond the normal HoCSPS benefits in respect of employees who retired early by transferring the required amounts annually to the HoCSPS over the period between early departure and normal retirement age. The House provided for this in full if and when the early departure became binding on the House by establishing a provision for the estimated payments discounted by 1.8% in real terms. The liability as at 31 March 2014 was transferred to PCSPS during the year. No new cases of early retirement arose during the year.

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 18.

Dilapidation costs

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

Voluntary Exits

No provision was required for 2014-15.

18. Contingent liabilities

The House of Commons has the following contingent liabilities:

	1 April 2014	Increase in year	Obligation expired in year	31 March 2015
	£000	£000	£000	£000
Personal injuries and employee claims	82	30	-	112
Works of Art on loan from various collections	3,049	-	(650)	2,399
Total	3,131	30	(650)	2,511

19. Losses and special payments

19.1 Losses Statement

	2014-15	2013-14
Total number of cases	40	25
Total value of cases (£000)	2,756	10

Details of cases over £300,000

There were two cases over £300,000 in 2014-15 (2013-14: nil); the first relating to nugatory spend on part of the parliamentary estate, the second relating to the pension transfer interest payment

As the Northern Estates emerging strategies arose, an opportunity was taken to review the refurbishment works of 1 Canon Row. Detailed design on the project was stopped to allow a strategic review to proceed. The forward plans were different to the original concepts. It was therefore considered that preliminary design and feasibility work was nugatory, with a constructive loss total value £655,000 being charged to the statement of financial performance (£539,000 to losses and the remaining £116,000 to impairments).

A payment on account of £410.0 million was made to the Cabinet Office on 1 July in respect of the pension transfer, however, this money was due to them on 1 April. Interest is chargeable for the period April to July which has been estimated at £2.0 million by the Government's Actuary Department.

19.2 Special Payments

	2014-15	2013-14
Total number of cases	19	2
Total value of cases (£000)	286	139

The House did not make any special payments that individually exceeded £300,000 (2013-14: nil).

20. Related-party transactions

As Members of Parliament, any related party transactions of Commission Members should be recorded in the Register of Members' Interests. Dame J Gaymer, one of the non-executive members of the Management Board, declared a related party transaction with the Speaker's Committee for IPSA where she acts as a Lay Member. Total income received by Dame Janet in 2014-15 was £281.

During 2014-15, D Natzler (1st April 2014 to 20th October 2014) by virtue of his position as Clerk Assistant, was a Trustee of the History of Parliament Trust, which receives grants from the House of Commons. J Sharpe, as Acting Clerk Assistant (20th October 2014 to 31st March 2015), assumed the role as a Trustee, after D Natzler was appointed Acting Clerk.

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, Parliamentary Archives, Parliamentary Information and Communications Technology (PICT) service, and certain Education and Outreach activities.

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 Annual Accounts.

The major shared services, excluding minor shared services, are recharged on the following basis:

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

The House of Commons incurred expenditure of £41,597,000 (2013-14: £36,037,000) on behalf of the House of Lords during 2014-15. The balance as at 31 March 2015 relating to accommodation, works and other shared services owed to the House of Commons by the House of Lords was £1,497,000 (2013-14: £3, 509,000).

The House of Lords incurred expenditure of £1,028,000 (2013-14: £572,000) on behalf of the House of Commons during 2014-15. The balance as at 31 March 2015 owed to the House of Lords by the House of Commons was £144,000 (2013-14: £129,000).

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 £115,000 on behalf of the BIPA in 2014-15. At the year end, the balance due from BIPA in respect of 2014-15 expenditure was £7,000. Accommodation is also provided to the British American Parliamentary Group, Commonwealth Parliamentary Association (UK Branch) and the British Group of the Inter-Parliamentary Union.

21. 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:

	<u>2014-15</u>	<u>2013-14</u>
	£000	£000
Gratuities and service charges	60	41

22. Entities within the departmental boundary

The entities within the boundary during 2014-15 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.

23. Events after the reporting period date

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.