

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

Resource Accounts

2006-07

(for the year ended 31 March 2007)

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

Ordered by The House of Commons to be printed 24 July 2007

Published by Authority of the House of Commons

London: The Stationery Office Limited

£10.00

HC 831

Contents

	Page
Foreword to the Accounts	3
Statement of Accounting Officer's Responsibilities	10
Statement on the System of Internal Control	11
Certificate and Report of the Comptroller and Auditor General to the House of Commons	13
Statement of Parliamentary Supply	15
Operating Cost Statement	16
Statement of Recognised Gains and Losses	16
Balance Sheet	17
Cash Flow Statement	18
Net Operating Costs by Aim	18
Notes to the Resource Accounts	19

Foreword to the Accounts

For the year ended 31 March 2007

Scope of the accounts

The Supply Estimate covers:

- the main salary costs of the staff of the House of Commons and the Office of the Speaker;
- the costs of the associated general expenses of the House of Commons Service including stationery, printing costs, broadcasting, IT, catering, security, accommodation services and associated non-cash costs;
- some travel costs of Members of Parliament in connection with select committees and delegations to international parliamentary assemblies; and
- grants-in-aid paid to both the History of Parliament Trust and the Association of Former Members of Parliament.

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

The expression "House of Commons Administration" includes the House of Commons Commission and the domestic select committees. The expression "House of Commons Service" covers the employees of the House of Commons Commission, by analogy with the Civil Service.

Purpose

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

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

Since 1 January 2006 the responsibility for planning and managing IT services for both Houses has been centralised in the Parliamentary Information and Communication Technology (PICT) service.

Values

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

Core tasks and objectives

A revised Corporate Plan for the years 2006 to 2011 was adopted by the Commission in July 2005.

The House Service's primary objectives (in order of priority) are:

1. To provide the advice and services that enable the House and its committees to conduct their business effectively.
2. To provide the advice and services that enable individual Members (and their staff) to perform their parliamentary duties effectively.
3. To promote public knowledge and understanding of the work and role of Parliament through the provision of information and access.

To achieve the primary objectives there are six supporting tasks. These are:

1. To provide a skilled and motivated workforce; giving recognition and reward for achievement and ensuring that all staff realise their full potential regardless of level or background; and promoting diversity.
2. To provide a healthy, safe and secure physical environment in which the business of the House can be effectively conducted; this includes accommodation, office services, catering and security.
3. Plan and manage all of the House's resources to a high standard, achieving value for money and matching current public service standards including in the areas of risk and change management and environmental protection.
4. Maintain the heritage and integrity of the Palace of Westminster and other buildings, objects and documents for the benefit of future generations.
5. Ensure that information is well-managed in pursuit of the primary objectives, by exploiting technology effectively.
6. Maintain a good working relationship with the House of Lords, particularly in the provision of shared services; share information and best practice with other parliaments and assemblies, and co-operate with other organisations that can assist the House Service in its work.

Management

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

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

The Rt Hon Michael J Martin MP	Speaker (<i>Chairman by virtue of his office</i>)
The Rt Hon Geoffrey Hoon MP	Leader of the House of Commons (<i>by virtue of his office</i>)
The Rt Hon Theresa May MP	nominated by the Leader of the Opposition
Sir Stuart Bell MP	also Chairman of the Finance and Services Committee

Nick Harvey MP

The Rt Hon David Maclean

The following changes to the Commission arose during the year:

- 8 May 2006: The Rt Hon Jack Straw MP replaced Rt Hon Geoffrey Hoon MP

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

Sir Roger Sands KCB	Clerk of the House, Chief Executive, Chairman of the Board of Management
Peter Grant Peterkin CB OBE	Serjeant at Arms
Sue Harrison	Director of Catering Services
Helen Irwin	Clerk of Committees
Joan Miller	Director of Parliamentary Information Communications Technology
John Pullinger	Librarian
Lorraine Sutherland	Editor of the Official Report
Andrew Walker	Director of Finance and Administration

Sir Roger Sands KCB retired on 30 September 2006 and was replaced by Dr Malcolm Jack.

The Queen appoints the Clerk of the House by letters patent; the Serjeant at Arms is also appointed by the Queen, under a warrant from the Lord Chamberlain. Other heads of department are appointed by the Speaker.

Under the House of Commons (Administration) Act 1978 the Commission may delegate functions to heads of department individually or jointly. The Commission has used these powers to establish the Board of Management. The detailed instruments of delegation are revised from time to time. Appointments may be terminated according to the rules and procedures laid down in the conditions of service for House of Commons staff.

Management commentary

The House of Commons Commission publishes an Annual Report reviewing the performance of each Department of the House and their outline plans for the future. The 29th Annual Report (2006-07) (HC 708) contains information from the Board of Management and its sub-groups as well as the annual report from the Accounting Officer which provides information about the House of Commons Service including:

- significant developments in the House administration's activities, the environment in which it operates and its financial position;
- factors and influences that may affect future periods, particularly on future financing requirements; and
- the main ways in which the House administration has sought to invest in the future.

The Annual Report of the Administration Estimate Audit Committee is published with the Commission's Report.

Delegated resource budgets replaced traditional cash budgets at departmental level for the first time during 2006-07. Prior to the start of the year training was provided to local finance managers to explain the accrual procedures to be adopted and demonstrate how the changes would impact upon the management of financial information. Budgets were then profiled on a resource basis, with budget managers having the option to submit significant month end accrual adjustments. These were entered on the general ledger, before being reversed when the transaction was completed the following period, to keep the budget profile and actual expenditure profiles aligned.

A number of system enhancements took place during the year as part of the House Administration Information System (HAIS) development programme. A new budgeting module provided the facility for finance managers to load both budget information and forecasts directly on to the system, subject to the summary figures matching budget change control notices, thereby removing the need to make paper based submissions to the centre. The programme also included a module on procure to pay which automatically captures transaction information from initial ordering, to goods receipting, invoice checking and payment. This should provide enhanced accrual data to improve cash management and again, reduce period end paper based exercises to collate accrual information. These system enhancements were introduced during the year. Practitioner groups were utilised to help finance managers adjust to the new procedures and share best practice.

A resource underspend of £17.2 million (7.5% of the Estimate) arose during the year. Forecasts throughout the year had predicted an underspend nearer £6 million, which mainly reflected additional Works funding of £5 million secured in the Estimate which was not utilised. When the Estimate was being planned it had been anticipated that work on the roof renewal programme and other infrastructure projects would commence. Towards the year end a further £11 million surplus emerged. This included further savings on Works projects (£4 million), reduced expenditure on demand led services (£2 million) and savings generated (over £2 million). In addition, the House of Commons Pension Scheme (HOCSPS) provision was independently reviewed during 2006-07 and adjusted for changes in financial assumptions, as recommended by HM Treasury. The reduction in the rate for discounting scheme liabilities resulted in an actuarial loss of £61.3m which contributed to a reduced cost of capital charge on the pension provision (£2 million).

The cash underspend of £20.7 million (11.6%) reflects the cash consequences of the resource underspend, plus other cash based adjustments. These included lower than anticipated expenditure on capital offset by movements in working capital (£2.5 million net).

Further financial training is to be rolled out during 2007-08 to help enhance the quality of forecast returns made during the year. Future financial initiatives include preparing for the adoption of International Accounting Standards from 2008-09. This will require a restatement of the 2007-08 year end balances.

Remuneration report

(i) Remuneration policy

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

(ii) Salary entitlements

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

	2006-07		2005-06	
	Salary (£000)	Benefits in kind (£000)	Salary (£000)	Benefits in kind (£000)
Malcolm Jack (appointed Oct 06)	80-85 (full year equivalent 160-165)	5	n/a	n/a
Sir Roger Sands KCB (retired Sept 06)	75-80 (full year equivalent 155-160)	5	155-160	18
Peter Grant Peterkin CB OBE	95-100	12	95-100	13
Sue Harrison	85-90	-	85-90	-
Helen Irwin	115-120	-	55-60 (full year equivalent 115-120)	-
Joan Miller	85-90	-	20-25 (full year equivalent 85-90)	-
John Pullinger	100-105 (c)	-	95-100 (c)	-
Lorraine Sutherland	85-90	-	75-80 (full year equivalent 85-90)	-
Andrew Walker	105-110	-	95-100	-

Notes:

(a) "Salary" includes gross salaries, performance bonuses awarded, reserved rights to London weighting or London allowances, recruitment and retention allowance.

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

(c) During this period John Pullinger has been on secondment from a government department. The House of Commons was recharged with the direct employment costs as shown in the salary column.

(iii) Pension benefits

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

Since 1 October 2002 existing staff have been in one of three schemes – Classic, Premium or Classic Plus. New entrants after that date can choose to join the Premium scheme or a money purchase stakeholder plan (partnership pension account) with a significant employer contribution.

Employee contributions are set at the rate of 1.5% of pensionable earnings for the Classic scheme, and 3.5% for the Premium and Classic Plus schemes. Benefits in the Classic scheme accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For the Premium scheme benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike the Classic scheme, there is no automatic lump sum payment, but members may commute part of their pension to provide a lump sum. The Classic Plus scheme is essentially a variation of the Premium scheme, but with the benefits accrued in respect of service before 1 October 2002 being calculated broadly as for the Classic scheme. Pensions payable under all three schemes are increased annually in line with changes in the Retail Price Index.

With the partnership pension account 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. The employee does not have to contribute but where they do make contributions, the House will match these up to a limit of 3% of pensionable salary in addition to the employer's basic contribution. The House also contributes a further 0.85% of pensionable salary to cover the cost of centrally-provided risk benefit cover (i.e. death in service and ill health retirement).

The pension entitlements of the members of the Board of Management, covering the period during which they were on the Board, were as follows: (for 2005-06 figures, see House of Commons Resource Accounts, HC 1453)

	Accrued pension and related lump sum at 31/3/07	Real increase in pension and related lump sum at 31/3/07	CETV at 31/3/07	CETV at 31/3/06	Real increase in CETV
	(£000)	(£000)	(£000)	(£000)	(£000)
Malcolm Jack (appointed Oct 06)	80 - 85 (lump sum n/a)	15 - 17.5 (lump sum n/a)	1,593	1,283	319
Sir Roger Sands KCB (retired Sept 06)	80 - 85 plus lump sum 240 - 245	0 - 2.5 plus lump sum 0 - 2.5	1,778	1,741	11
Peter Grant Peterkin CB OBE	0 - 5 (lump sum n/a)	0 - 2.5 (lump sum n/a)	76	42	28
Sue Harrison	15 - 20 plus lump sum 50-55	0 - 2.5 plus lump sum 2.5-5.0	295	272	16
Helen Irwin	45 - 50 plus lump sum 145 - 150	2.5 - 5 plus lump sum 7.5 - 10	1,167	1,050	69
Joan Miller	0 - 5 (lump sum n/a)	0 - 2.5 (lump sum n/a)	42	15	23
John Pullinger	(d)	(d)	(d)	(d)	(d)
Lorraine Sutherland	25 - 30 plus lump sum 80 - 85	0 - 2.5 plus lump sum 2.5 - 5.0	479	452	15
Andrew Walker	35 - 40 plus lump sum 115 - 120	0 - 2.5 plus lump sum 2.5 - 5.0	735	696	17

Notes:

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

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

(c) No employer contributions were made to partnership pensions in 2006-07.

(d) On secondment from another government department and not part of the House of Commons Staff Pension Scheme.

Public interest

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

Auditors

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

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

Malcolm Jack
Accounting Officer

16 July 2007

Statement of Accounting Officer's Responsibilities

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

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

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

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

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

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the organisation's assets, are broadly as set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

Statement on the System of Internal Control

Scope of responsibility

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

I have delegated certain responsibilities to the heads of department set down in a written statement.

Purpose of the system of internal control

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

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

Control framework and management of risk

A revised Resource Framework was signed off by the Board of Management in February 2005. It updated previous guidance by setting out where financial responsibilities rest, and brought together a revised system of procedures and controls to enhance the financial management process. As such it is an integral part of the corporate governance arrangements for which the Accounting Officer is responsible.

The risk management process is owned by the Board of Management. It introduced a formalised structure for managing corporate risk in December 2000 and has been developing these arrangements since. The risk management infrastructure had the following elements:

- risk management strategy and policy;
- a corporate risk register;
- management of operational risk through departmental business plans and risk registers;
- project risk registers;
- departmental risk sponsors.

Board members work in teams of two, with each team being responsible for overseeing particular corporate risks. This involves a regular appraisal of the existing risks with responsibility for recommending action where necessary, and periodic re-appraisal of the risk register. They are supported in these duties by the Risk Management Facilitator to the Board of Management. In addition, each Board member co-ordinates their own departmental risk register, assigning their own staff to specific duties. They subsequently provide me with a letter of assurance on the management of risk in their departments. The Business Planning Group provide further assurance by regular monitoring of departmental risks, including the contingency planning and business continuity arrangements that are in place, and through sharing of best practice. Where appropriate, all departmental risks are linked to the main corporate risks.

During 2006-07 a review of the management of corporate risks by the Board, and departmental risks by the Business Planning Group, resulted in changes to the risks being monitored. These reviews led to a number of further procedural enhancements. These included the introduction of a standard template for recording the management of all risks, as well as the adoption of a standard scheme for

scoring risks. Workshops and one-to-one facilitation sessions were also held to assist departmental risk managers with their duties.

Heightened security risk culminated in the appointment of a joint Security Co-Ordinator in 2005-06 for both Houses. He has been tasked with implementing the recommendations arising from a review of existing security arrangements.

Further details on the continuing development of risk management are contained in the House of Commons Commission's 29th Annual Report (HC 708).

Review of effectiveness

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

The House of Commons Commission set up an Administration Estimate Audit Committee on 15 May 2000 to advise me in my role as Accounting Officer. It comprises two Members of Parliament, both of whom are also members of the Commission, and two external non-executive members. The external members and the Members of Parliament are independent. The Committee takes a close interest in the work of internal audit, with particular emphasis on promoting economy, efficiency and effectiveness, risk assessment and internal control. The Director of Finance and Administration and I regularly attend the meetings of the Audit Committee.

An Internal Review Service (IRS), which operates broadly to the standards defined in the Government Internal Audit Manual, reports directly to me. The Director of the Internal Review Service also attends meetings of the Administration Estimate Audit Committee. The work of IRS is informed principally by the analysis of risk to which the House of Commons is exposed. Annual internal audit plans, including Value for Money studies, are based on this analysis to ensure adequate coverage of risk across the operational areas in the House of Commons. Furthermore, IRS undertakes manpower reviews at the request of the Heads of Departments within the House of Commons. These reviews ensure that manpower is employed efficiently and assesses the effectiveness of the organisational structures in the Departments of the House.

The analysis of risk and the internal audit plans are approved by me in the light of advice from the Administration Estimate Audit Committee. At least annually, the Director of the Internal Review Service provides me with an independent report on internal control activity within the House of Commons. The report includes his opinion on the adequacy and effectiveness of the House of Commons system of internal control. Heads of departments have also provided a letter of assurance on the management of risk over the year.

In the light of the work carried out by IRS and with the development of the risk management process, I am satisfied as to the general adequacy of the internal control systems within the ambit of the House of Commons Administration Estimate.

Malcolm Jack
Accounting Officer

16 July 2007

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 2007. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by the House's Aims and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the House of Commons Financial Reporting Manual. I report to you whether, in my opinion, information given in the Foreword is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

Basis of audit opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the House of Commons' Financial Reporting Manual of the state of the House's affairs as at 31 March 2007 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the House of Commons Financial Reporting Manual; and
- information given within the Foreword is consistent with the financial statements.

Audit opinion on Regularity

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

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

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

18 July 2007

Statement of Parliamentary Supply

Summary of Resource Outturn

For the year ended 31 March 2007

Request for Resources	Estimate			Outturn			Net Total outturn compared with Estimate: saving/(excess) ¹	2005-06 Net Total
	Admin Costs	Grants	Net Total	Admin Costs	Grants	Net Total		
	£000	£000	£000	£000	£000	£000		
1 Administrative expenditure	226,498		226,498	209,306		209,306	17,192	319,357
2 Grants to other bodies		1,302	1,302		1,302	1,302	-	1,202
Total resources	226,498	1,302	227,800	209,306	1,302	210,608	17,192	320,559
Non-operating income						(26)	26	(7)

Net cash requirement 2006-07

	Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving/(excess) ¹	2005-06 Outturn
		£000	£000	£000	£000
		Net cash requirement	3	177,900	157,158

Summary of income payable to the Consolidated Fund.

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

	Note	Forecast 2006-07		Outturn 2006-07	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£000	£000	£000	£000
Total income payable to the Consolidated Fund	4	-	-	2,610	2,610

¹ Explanations of variances between the Estimate and Outturn are given in the Management Commentary (Page 6).

Operating Cost Statement

for the year ended 31 March 2007

	Note	2006-07		2005-06
		Staff Costs	Other Costs	Income
		£000	£000	£000
Administration Costs				
Staff Costs	6	65,420		60,099
Other administration costs	7		152,814	151,198
Operating income	9			(8,223)
Programme Costs				
Expenditure	8		1,302	1,202
Operating income				-
Totals		65,420	154,116	(8,928)
Net Operating Cost				210,608
				204,276

Statement of Recognised Gains and Losses

for the year ended 31 March 2007

	Note	2006-07	2005-06
		£000	£000
Net gain/(loss) on revaluation of tangible fixed assets	10 and 18a	39,343	30,849
Loss on pension liabilities due to changes in actuarial assumptions	16a	(63,100)	(30,500)
Recognised gains and losses for the financial year		(23,757)	349
Prior year adjustment to pension liabilities	16a	-	(87,875)
Total gains and losses recognised since last annual accounts		(23,757)	(87,526)

Balance Sheet

as at 31 March 2007

	Note	2006-07		2005-06	
		£000	£000	£000	£000
Fixed assets:					
Tangible assets	10	1,143,158		1,106,125	
Intangible assets	11	493		487	
			1,143,651		1,106,612
Current assets:					
Stocks	12	334		544	
Debtors	13	8,329		4,672	
Cash at bank and in hand	14	3,979		3,099	
		12,642		8,315	
Creditors (amounts falling due within one year)	15	(15,929)		(8,452)	
Net current assets			(3,287)		(137)
Total assets less current liabilities			1,140,364		1,106,475
Creditors (amounts falling due after more than one year)	15	-		-	
Provisions for liabilities and charges	16a, 16b	(337,726)		(254,697)	
			(337,726)		(254,697)
			802,638		851,778
Taxpayers' equity:					
General fund	17		388,607		471,053
Revaluation reserve	18a		410,687		377,493
House of Commons Commission reserve	18c		3,131		3,018
Donated asset reserve	18b		213		214
			802,638		851,778

Malcolm Jack
Accounting Officer

16 July 2007

Cash Flow Statement

for year ended 31 March 2007

	Note	2006-07	2005-06
		£000	£000
Net cash outflow from operating activities	19a	(144,889)	(138,133)
Capital expenditure and financial investment	19c	(12,269)	(10,147)
Receipts due to the Consolidated Fund which are outside the scope of the House of Commons' activities	4	2,610	6,470
Payments of amounts due to the Consolidated Fund		(2,059)	(6,471)
Financing ¹	19d	157,487	147,100
(Decrease)/increase in cash in the period		880	(1,181)

¹The amount of grant actually issued to support the net cash requirement equalled £157,375,000.

Net Operating Costs by Aim

for the year ended 31 March 2007

	2006-07			2005-06		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
House of Commons tasks – net operating costs	219,536	(8,928)	210,608	212,499	(8,223)	204,276

The House of Commons service has three primary objectives within the aim, which have been agreed by the House of Commons Commission:

- *To provide the advice and services that enable the House and its committees to conduct their business effectively;*
- *To provide the advice and services that enable individual Members (and their staff) to perform their parliamentary duties effectively;*
- *To promote public knowledge and understanding of the work and role of Parliament through the provision of information and access.*

Further information on the objectives may be found in the House of Commons' 29th Annual Report 2006-07 (HC708).

The net resource outturn against these tasks is £210,607,461.

Notes to the Resource Accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the House of Commons Financial Reporting Manual. Accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

In addition to the primary statements prepared under UK GAAP two further primary statements are prepared. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. *The Net Operating Costs by Aim* and its supporting note analyse the House's income and expenditure by the aim of the House.

1.1 Relationship with House of Lords

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

The Record Office, which maintains the parliamentary archives, is a shared facility. All these costs are split between the House of Commons and House of Lords on a 40:60 ratio.

Arrangements for security are agreed jointly by the authorities of both Houses of Parliament with the Metropolitan Police. These costs are monitored jointly by the authorities in the two Houses but are billed individually to the House of Commons and House of Lords in a pre-determined ratio (69:31 for 2006-07).

Since 1 January 2006 the management of the IT services for both Houses has been centralised within the Parliamentary Information and Communications Technology (PICT) service. Each House pays for its own IT hardware with the costs of shared services being split on an 80:20 ratio. Joint IT development projects are shared on an agreed project by project basis.

1.2 Accounting convention

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

1.3 Tangible fixed assets

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

Freehold properties

Title to freehold land and buildings is held as follows:

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

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

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

The whole of the parliamentary estate was fully revalued by the Valuation Office Agency (VOA) as at 31 March 2006. Brought forward values for properties regarded by the House of Commons as operational have been valued on the basis of existing use value or, where this could not be assessed because there was no market for the subject asset, on a depreciated replacement cost (DRC) basis.

Long Leasehold

A property, 102 Rochester Row, is held on a long leasehold and has been included on the Balance Sheet in accordance with accounting standards (SSAP21/IAS17).

Investment properties

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

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

Office equipment

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

Antique furniture

The antique furniture was professionally valued at 31 March 1998. Each year the Furniture Manager in the Parliamentary Works Services Directorate carries out an internal review to assess if any material revaluation adjustment is required. In 2006-07 the antique furniture value was professionally reviewed and the values adjusted as at 31 March 2007.

Speaker's silver

The Speaker's silver is normally revalued on an open market value basis every five years unless there is a material change of value in the interim period. The Speaker's silver will be reviewed in 2007-08.

Plant and machinery

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

Assets under construction

The costs incurred in 2006-07, for the construction of the Visitor Reception Building, have been capitalised at historic cost.

1.4 Non operating heritage assets

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

Parliamentary art collection

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

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

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

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

Parliamentary archives

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

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

Any operational assets held by the Record Office are disclosed within the House of Lords Resource Accounts.

Antiquarian books

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

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

The Speaker's state coach

The Speaker's state coach is a late seventeenth century giltwood and painted carriage which has not been used for some time and is not currently in a roadworthy condition. In accordance with the Financial Reporting Manual it has not been valued, because a reliable estimate of its free market value could not be obtained.

1.5 Depreciation

Depreciation is charged to expenditure, on the historic value or, for land and buildings the revalued amount of assets. For land and 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

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

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

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

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

<i>Land and buildings residual lives</i>	Years
Land	not applicable
Palace of Westminster	87
Freehold property (excluding Portcullis House)	20-31
Portcullis House	50-75
Leasehold property improvements (7 Millbank)	14
<i>Other tangible fixed assets</i>	
Furniture - standard	10
Furniture - antique	400
Plant & Machinery – Refreshment Department	10-30
Plant & Machinery - Great Clock mechanism	400
Other Plant and Machinery	4-5
Works of Art	400
Fixtures and fittings - standard	10
Fixtures and fittings - antique	400
Speaker's Silver	400
General office equipment	3-5
Library books	10
Computer file servers	5
Computer equipment (excluding file servers)	4-5
Broadcasting equipment	10
Telephone equipment	5

1.6 Donated assets

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

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

1.7 Intangible fixed assets

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

1.8 Current investments

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

1.9 Stocks and work in progress

Stocks and work in progress are valued as follows:

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

1.10 Research and development

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

1.11 Operating income

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

1.12 Administration and programme costs

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

Programme costs reflect non-administration costs, consisting of grants to the History of Parliament Trust and the Association of Former Members of Parliament.

1.13 Capital charge

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

1.14 Foreign exchange

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

1.15 Pensions

Present and past employees are covered by the provisions of the House of Commons Staff Pension Scheme (HOCSPS) which is funded on a pay as you go basis. The Scheme is a defined benefit scheme and liability for payment of future benefits is a charge to the House of Commons.

1.16 Early departure costs

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

1.17 Leases

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

1.18 Private Finance Initiative (PFI) transactions

The House of Commons has no PFI transactions.

1.19 Provisions

The House of Commons makes provision for pensions, early departure costs and legal costs. The House of Commons Staff Pension Scheme (HOCSPS) was valued under FRS17 for the first time in 2005-06 with an updated assessment, in accordance with the accounting standard, for 2006-07.

1.20 VAT and Corporation Tax

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

The House is not subject to Corporation Tax.

1.21 Third party assets

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

1.22 House of Commons Commission Reserve

Under the powers provided by the House of Commons (Administration) Act 1978 as amended by the Government Resource Accounting Act 2000, the House of Commons Commission has established a reserve for any excess income generated.

2. Reconciliation of Estimates, accounts and budgets**2(a) Reconciliation of net operating cost to net resource outturn**

		2006-07		2005-06	
	Note	Supply Estimate £000	Outturn £000	Outturn compared with Estimate £000	Outturn £000
Net Resource Outturn		227,800	210,608	17,192	320,559
Prior year adjustment to pension liabilities			-		(87,875)
Loss due to changes in actuarial assumptions			-		(27,800)
Surplus income retained for transfer to HOCC Reserve	9		-		(608)
Net Operating Cost			210,608		204,276

The implementation of FRS17 in 2005-06 was recognised in the reconciliation of net operating cost to net resource outturn as a one off adjustment. Any adjustment in future years will be shown in the Statement of Recognised Gains and Losses.

2(b) Reconciliation of accounts to capital budget

		2006-07		2005-06	
	Note	Final Provision £000	Outturn £000	Outturn compared with Final Provision £000	Outturn £000
Additions to assets	10, 11	17,240	13,853	3,387	10,212
(Disposals) at net book value	10, 11	-	-	-	(30)
Capital Budget		17,240	13,853	3,387	10,182

3. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with estimate: saving/(excess) £000	2005-06 Outturn £000
Resource Outturn		227,800	210,608	17,192	320,559
Capital					
Acquisition of fixed assets	19c	17,240	12,295	4,945	10,154
Non operating Income					
Proceeds of fixed asset disposals	5	-	(26)	26	(7)
Accruals adjustments					
Non-cash items – other administration costs	7	(64,228)	(58,019)	(6,209)	(62,573)
Non-cash items – staff costs	6	(9,712)	(10,220)	508	(9,270)
Changes in working capital other than cash	19a	-	(1,710)	1,710	(1,728)
Changes in creditors falling due after more than one year	15	-	-	-	191
Prior Year adjustment	16a	-	-	-	(87,875)
Changes to assumptions	16a	-	-	-	(27,800)
Use of provision	16	6,800	4,230	2,570	7,237
Net Cash Requirement		177,900	157,158	20,742	148,888

4. Analysis of income payable to the Consolidated Fund

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

	Forecast 2006-07		Outturn 2006-07	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
	£000	£000	£000	£000
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	-	-	2,610	<i>2,610</i>
Total income payable to the Consolidated Fund	-	-	2,610	<i>2,610</i>

5. Non-Operating income

	2006-07 £000	2005-06 £000
Disposal of fixed assets	26	7

6. Staff numbers and related costs

Staff costs comprise:

	2006-07	2005-06
	£000	£000
Wages and salaries	46,705	44,302
Social security costs	3,859	3,666
Other pension costs (non-cash)	10,220	9,270
Contributions to stakeholder pensions	52	64
Sub Total	60,836	57,302
Inward secondments/agency staff	5,046	3,334
Sub Total	65,882	60,636
Less recoveries in respect of outward secondments	(462)	(537)
Total net costs	65,420	60,099

For 2006-07 contributions of £10,219,867 were payable to the HOCSPS (2005-06 £9,270,000) at a rate determined by the Government Actuary. The scheme's Actuary reviews employer contributions on a periodic basis. The contribution rate reflects benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

By agreement between the House of Commons and the House of Lords, the whole cost of the pension provision for staff in some shared services falls on the House of Commons, regardless of whether the salary costs are shared.

From 1 October 2002, employees of the House of Commons have been in one of three statutorily-based final salary defined benefit schemes (Classic, Premium, and Classic Plus). New entrants after 1 October 2002 may choose between membership of the Premium scheme or joining a good quality 'money purchase' stakeholder arrangement with an employer contribution (partnership pension account).

(a) Classic Scheme

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

b) Premium Scheme

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

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

(c) Classic Plus Scheme

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

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

d) Partnership Pension Account

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

Three persons retired early on ill health grounds during 2006/07; the total additional accrued pension liabilities in the year amounted to £9,000.

Average number of persons employed

The average number of full-time equivalent persons employed (including senior management) during the year including Parliamentary Works Services Directorate staff whose salaries are 40% funded by the House of Lords were:

	2006-07	2005-06
Average Number	1,606	1,593

7. Other Administration Costs

	Note	2006-07		2005-06	
		£000	£000	£000	£000
Rentals under operating leases					
Photocopier rental		584		648	
Buildings rental		6,984		6,755	
Subtotal			7,568		7,403
Cash Items					
Accommodation services		21,402		24,657	
Security		20,292		19,917	
Information		14,474		11,389	
Communications		7,321		6,984	
Finance and specialist services		7,412		4,491	
Computer maintenance		5,239		3,902	
Catering and other supplies		3,769		3,385	
Travel and subsistence		3,304		2,754	
Other staff costs		2,396		2,144	
Office supplies		1,529		1,490	
Broadcasting		89		109	
Subtotal			87,227		81,222
Non-cash items					
Cost of capital charges	17	27,855		28,224	
Auditors' remuneration and expenses	17	100		110	
Depreciation and amortisation of fixed assets:					
Tangible fixed assets	10	15,957		15,450	
Intangible fixed assets	11	283		360	
Profit on disposal of fixed assets	10	(26)		-	
Loss on disposal of fixed assets	10	-		22	
Loss on revaluation of fixed assets	10	-		5,519	
Gain on revaluation of fixed assets	10	(83)		-	
Interest cost	16a	13,800		12,700	
Legal claims and early retirement costs	16b	135		185	
Unwinding of discount on provisions	16b	4		3	
Gain on stock valuation		(6)		-	
Subtotal			58,019		62,573
Grand Total			152,814		151,198

8. Net Programme Costs

	Note	2006-07 £000	2005-06 £000
Grant to the History of Parliament Trust		1,300	1,200
Grant to the Association of Former Members of Parliament		2	2
		1,302	1,202

9. Operating Income

	Resource Outturn	2006-07	Operating Cost Statement	2005-06
	Netted off gross expenditure sub-head	Retained for transfer to House of Commons Commission reserve	Income included in operating cost statement	
	£000	£000	£000	£000
Receipts from sales	8,137	-	8,137	7,360
Rental receipts and associated charges	671	-	671	616
Other receipts	84	-	84	196
Investment income	32	-	32	42
Fees on private bills	4	-	4	9
Reimbursements from Government departments	-	-	-	-
	8,928	-	8,928	8,223

10. Tangible fixed assets

	Land & Buildings	Antique and other furniture	Speaker's Silver	Parliamentary art collection	Plant and Machinery	Equipment and computers	Other assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost at 1 April 2006	1,675,193	26,456	1,951	835	2,061	22,859	1,528	1,730,883
Additions	6,382	277	-	133	11	2,808	3,953	13,564
Assets completed	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-
Disposals/write offs ¹	-	-	-	-	-	(302)	-	(302)
Loss on revaluation ²	-	(11,655)	-	-	-	-	-	(11,655)
Gain on revaluation ³	90,234	-	-	-	-	-	-	90,234
At 31 March 2007	1,771,809	15,078	1,951	968	2,072	25,365	5,481	1,822,724
Depreciation								
At 1 April 2006	609,287	1,963	-	-	101	13,407	-	624,758
Charge in the year	12,909	316	-	-	2	2,730	-	15,957
Disposals/write offs	-	-	-	-	-	(302)	-	(302)
Revaluation	39,153	-	-	-	-	-	-	39,153
Write back due to revaluation	-	-	-	-	-	-	-	-
At 31 March 2007	661,349	2,279	-	-	103	15,835	-	679,566
Net Book Value 31/03/07	1,110,460	12,799	1,951	968	1,969	9,530	5,481	1,143,158
Net Book Value 31/03/06	1,065,906	24,493	1,951	835	1,960	9,452	1,528	1,106,125

Analysis of land and buildings

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

	Land				Buildings Improvements to short leasehold		Investments	Total
	Freehold	Long leasehold	Freehold	Long leasehold				
	£000	£000	£000	£000	£000	£000	£000	
Cost or Valuation								
At 1 April 2006	173,373	180	1,489,228	270	1,262	10,880	1,675,193	
Additions	-	-	6,382	-	-	-	6,382	
Assets completed	-	-	-	-	-	-	-	
Donations	-	-	-	-	-	-	-	
Disposals/write offs	-	-	-	-	-	-	-	
Loss on revaluation	-	-	-	-	-	-	-	
Gain on revaluation	10,147	2	79,979	3	-	103	90,234	
At 31 March 2007	183,520	182	1,575,589	273	1,262	10,983	1,771,809	
Depreciation								
At 1 April 2006	-	-	609,037	47	203	-	609,287	
Charge in the year	-	-	12,826	12	71	-	12,909	
Disposals/write offs	-	-	-	-	-	-	-	
Revaluation	-	-	39,153	-	-	-	39,153	
Write back due to revaluation	-	-	-	-	-	-	-	
At 31 March 2007	-	-	661,016	59	274	-	661,349	
Net Book Value 31/03/07	183,520	182	914,573	214	988	10,983	1,110,460	
Net Book Value 31/03/06	173,373	180	880,191	223	1,059	10,880	1,065,906	

¹ The net book value of disposals/write offs was nil, whilst income received was £26,246.² £11,654,788 revaluation loss has been charged to the revaluation reserve.³ £90,150,411 of the revaluation gain has been credited to the revaluation reserve, the remaining £83,268 previous gains charged to the operating cost.

Land and Buildings analysed by Net Book Value

Analysed by individual land, buildings and investment property

	Land £000	Buildings £000	Investment £000	Total £000
Palace of Westminster ¹	114,502	602,240	-	716,742
Portcullis House	35,754	265,678	-	301,432
Norman Shaw South	5,429	8,685	-	14,114
1 Parliament Street	8,750	11,219	-	19,969
Norman Shaw North	8,099	12,257	-	20,356
1 Derby Gate	4,825	5,945	-	10,770
1 Canon Row	2,826	4,208	-	7,034
Abingdon St Car Park	-	-	5,406	5,406
Units A, B & C Portcullis House	-	-	4,139	4,139
3 Parliament Street	1,039	1,337	-	2,376
2 Parliament Street	889	1,147	-	2,036
4 Canon Row	618	798	-	1,416
2 Canon Row	606	782	-	1,388
11 Bridge Street	-	-	1,438	1,438
Improvements to leasehold buildings	-	-	989	989
22 John Islip Street	184	276	-	460
102 Rochester Row	182	213	-	395
NBV at 31 March 2007	183,703	914,785	11,972	1,110,460

¹ The total value of the Palace at 31 March 2007 was £1,194,571,000 (House of Commons share £716,742,302).

The Great Clock

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

Revaluation of Land and Buildings

The revaluation of Land and Buildings using predictive indices gave rise to a net gain of £39,343,000 (see Note 18a).

11. Intangible fixed assets

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

	2006-07
	£000
Cost or valuation	
At 1 April 2006	1,388
Additions	289
Disposals	-
At 31 March 2007	1,677
Amortisation	
At 1 April 2006	901
Charged in year	283
Disposals	-
At 31 March 2007	1,184
Net book value at 31 March 2007	493
Net book value at 31 March 2006	487

12. Stocks and work in progress

	As at 31 March 2007	As at 31 March 2006
	£000	£000
Stocks ¹	334	544

¹Figure includes gain on Stock valuation

13. Debtors

	As at 31 March 2007	As at 31 March 2006
	£000	£000
Amounts falling due within one year:		
Trade debtors	1,897	564
Deposits and advances	517	477
VAT and other taxes	1,817	1,598
Other debtors	179	27
Prepayments and accrued income	3,919	2,006
	8,329	4,672

14. Cash at bank and in hand

	As at 31 March 2007	As at 31 March 2006
	£000	£000
Balance at 1 April	3,099	4,280
Net change in cash balances	880	(1,181)
Balance at 31 March	3,979	3,099
The following balances at 31 March were held at:		
Office of HM Paymaster General	296	245
Commercial banks and cash in hand	552	443
Investment account	-	-
House of Commons Commission Reserve account	3,131	2,411
Balance at 31 March	3,979	3,099
Amounts issued from the Consolidated Fund but not spent at year end	297	80
Consolidated fund extra receipts received and receivable and due to be paid to the consolidated fund	551	-
House of Commons Commission Reserve	3,131	3,019
	3,979	3,099

15. Creditors

	As at 31 March 2007	As at 31 March 2006
	£000	£000
Amounts falling due within one year		
Other taxation and social security	1,524	48
Trade creditors – current	2,874	2,274
Trade creditors – capital	2,006	448
Members	10	8
Other creditors	2,317	1,030
Accruals and deferred income	6,350	4,564
	15,081	8,372
Amounts issued from the Consolidated Fund for supply but not spent at year end	297	80
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
Received	551	-
Receivable	-	-
	15,929	8,452
Amounts falling due after more than one year:		
Accruals and deferred income	-	-
	15,929	8,452

16. Provisions for liabilities and charges**16(a) Pensions**

The House of Commons Staff Pension Scheme (HOCSPS) was valued under FRS17 for the first time in 2005-06. This had the effect of increasing the liability for future payment of benefits, current benefits continue to be paid from the current year net cash requirement, with any cash receipts offset against payments out.

	2006-07	2005-06
	£000	£000
Balance at 1 April	254,547	119,624
Prior period adjustments	-	87,875
	254,547	207,499
Current service cost		
Employers	10,220	9,270
Employees ¹	1,260	1,089
Past service costs	-	-
Loss due to changes in assumptions underlying present value of the scheme liabilities – discount rate	63,100	27,800
Loss due to changes in assumptions underlying present value of scheme liabilities - other	-	2,700
Interest cost	13,800	12,700
Less		
Benefits paid ¹	(7,230)	(6,984)
Transfers in /less transfers out ¹	1,864	473
Balance at 31 March	337,561	254,547

¹Provision used in year was £4,106,000 (£7,230,000 less £1,260,000 and £1,864,000)

An actuarial valuation of the scheme's liabilities was carried out at 31 March 2005, adjusted by significant in year movements to provide a value at 31 March 2007, by the Government Actuary's Department (GAD). The major assumptions used by the actuary were the following percentages:

	at 31 March 2007	at 31 March 2006
Inflation assumption	2.75%	2.5%
Rate of increase in salaries	4.3%	4.6%
Rate of increase for deferred pensions	2.75%	2.5%
Rate of increase in pensions in payment	2.75%	2.5%
Rate used to discount scheme liabilities	4.6%	5.4%

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

16(b) Early departure costs and legal claims

	Early Departure Costs	Legal Claims	Total
	£000	£000	£000
Balance at 1 April 2006	100	50	150
Provided in the year	-	135	135
Provisions utilised in the year	(74)	(50)	(124)
Unwinding of discount	4	-	4
Balance at 31 March 2007	30	135	165

Early departure costs

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

Legal claims

Provision has been made for various legal claims against the House of Commons. This reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated. The previous provision of £50k raised in 2005-06 was paid during the financial year.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 23.

17. General Fund

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

	As at 31 March 2007	As at 31 March 2006
	£000	£000
Balance at 1 April	471,053	606,911
Prior Year adjustment	-	(87,875)
	471,053	519,036
Net Parliamentary Funding		
Drawn down	157,375	147,010
Deemed	80	1,958
Year end adjustment		
Supply creditor – current year	(297)	(80)
Net Transfer from Operating Activities		
Net Operating Cost	(210,608)	(204,276)
Transfer from General Fund to HOCC Reserve	-	(608)
Non Cash charges		
Cost of capital	27,855	28,224
Auditors' remuneration	100	110
Loss due to changes to actuarial assumptions on pension scheme	(63,100)	(30,500)
Transfer to General Fund of realised element of Revaluation Reserve	6,149	10,179
Balance at 31 March	388,607	471,053

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

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

	2006-07		2005-06	
	Investment Properties	Other Fixed Assets	Total	Total
	£000	£000	£000	£000
Balance at 1 April	3,185	374,308	377,493	356,823
Revaluation gain during the year ¹	-	90,151	90,151	76,969
Revaluation loss netted against reserve ¹	-	(11,655)	(11,655)	(27,945)
Net back log depreciation ¹	-	(39,153)	(39,153)	(18,175)
Transferred to General Fund in respect of realised element of Revaluation Reserve	-	(6,149)	(6,149)	(10,179)
Balance at 31 March	3,185	407,502	410,687	377,493

¹Total gain recognised in the Statement of Recognised Gains and Losses is £39,343,000 (£90,151,000 less £11,655,000 and £39,153,000).

18(b) Donated Asset Reserve

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

	2006-07	2005-06
	£000	£000
Balance at 1 April¹	213	214
Additions during the year	-	-
Release to the General Fund	-	-
Balance at 31 March	213	214

¹ Actual brought forward balance £213,585

18(c) House of Commons Commission Reserve

	2006-07	2005-06
	£000	£000
Balance at 1 April¹	3,019	2,320
Transfer from General Fund to HOCC Reserve	-	608
Interest received	112	90
Release to the General Fund	-	-
Balance at 31 March	3,131	3,018

¹ Actual brought forward balance £3,018,674

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

	Notes	2006-07		2005-06	
		£000	£000	£000	£000
Net operating cost			(210,608)		(204,276)
Non-cash transactions – other administration costs	7		58,019		62,573
Non-cash transactions – staff costs	6		10,220		9,270
Changes in working capital other than cash					
(Increase)/Decrease in stock	12	216		(30)	
(Increase)/Decrease/ in debtors	13	(3,657)		1,543	
<i>Less (increase)/(decrease) in debtors relating to items not passing through the OCS</i>		-		(1)	
Increase/(Decrease) in creditors	15	7,477		(1,606)	
<i>Less (increase)/decrease in amounts due to the consolidated fund</i>		(768)		1,880	
<i>Less increase/(decrease) in capital creditors</i>		(1,558)		(58)	
			1,710		1,728
Increase/(decrease) in creditors falling due after more than one year	15		-		(191)
Use of provisions	16		(4,230)		(7,237)
Net cash outflow from operating activities			(144,889)		(138,133)

19(b) Analysis of capital expenditure and financial investment

	Note	2006-07	2005-06
		£000	£000
Tangible fixed asset additions	10	(13,564)	(10,147)
Intangible fixed asset additions	11	(289)	(65)
Proceeds from disposal of fixed assets	5	26	7
Net cash outflow from investing activities		(13,827)	(10,205)

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

	Capital expenditure	Loans etc	A in A	Net total
	£000	£000	£000	£000
Request for Resources 1	13,853	-	(26)	13,827
Request for Resources 2	-	-	-	-
Net movement in debtors/creditors	(1,558)	-	-	(1,558)
Total 2006-07	12,295	-	(26)	12,269
Total 2005-06	10,154	-	(7)	10,147

19(d) Analysis of financing

	Note	2006-07 £000	2005-06 £000
From the Consolidated Fund (Supply) – current year	17	157,375	147,010
From the Consolidated Fund (Supply) – prior year	17	-	-
Interest received on HOCC Reserve balance	18(c)	112	90
Net financing		157,487	147,100

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

	Note	2006-07 £000	2005-06 £000
Net cash requirement		(157,158)	(148,888)
From the Consolidated Fund (Supply) – current year	17	157,375	147,010
From the Consolidated Fund Supply – prior year		-	-
Amounts due to the Consolidated Fund received in prior year and paid over		-	(1)
Amounts due to the Consolidated Fund received and not paid		551	-
Transfer from General Fund to HOCC Reserve		-	608
Interest received on HOCC Reserve balance		112	90
Increase/(decrease) in cash		880	(1,181)

20. Notes to the Statement of Resources by Aim**Net Operating costs by Aim 31 March 2007**

	<u>2006-07</u>	<u>2005-06</u>
	<u>£000</u>	<u>£000</u>
House of Commons objectives	210,608	204,276

Capital Employed by Aim at 31 March 2007

The House's capital is employed exclusively for administrative purpose.

	<u>2006-07</u>	<u>2005-06</u>
	<u>£000</u>	<u>£000</u>
House of Commons objectives	802,638	851,778

21. Capital commitments

	<u>2006-07</u>	<u>2005-06</u>
	<u>£000</u>	<u>£000</u>
Contracted capital commitments at 31 March 2007 for which no provision has been made:	1,603	1,661

22. Commitments under leases**22.1 Operating leases**

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

	<u>2006-07</u>	<u>2005-06</u>
	<u>£000</u>	<u>£000</u>
Obligations under operating leases comprise:		
Land and buildings:		
Expiry within 1 year	-	900
Expiry after 1 year but not more than 5 years	131	131
Expiry thereafter	7,030	5,991
	<u>7,161</u>	<u>7,022</u>
Other:		
Expiry within one year	137	113
Expiry after 1 year but not more than 5 years	625	393
Expiry thereafter	-	-
	<u>762</u>	<u>506</u>

22.2 Finance leases

There were no significant finance leases held during 2006-07.

23. Contingent liabilities disclosed under FRS 12

Quantifiable contingent liabilities:

	At 1 April 2006	Increase in year	Liabilities crystallised in year	Obligation expired in year	At 31 March 2007
	£000	£000	£000	£000	£000
Personal injuries claims	236	22	(24)	(117)	117

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

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

	At 1 April 2006	Increase in year	Liabilities crystallised in year	Obligation expired in year	At 31 March 2007
	£000	£000	£000	£000	£000
Works of Art on loan from various collections	5,507	-	-	-	5,507

25. Losses and special payments

25(a) Losses Statement

	2006-07	2005-06
	£000	£000
Total	2	51

25(b) Special Payments

There were no special payments in 2006-07.

25(c) Other notes

Hand-over of the site of Portcullis House from London Underground was due in February 1997. However the site was only partially handed over in January 1998. The delay caused additional expenditure to be incurred by the House in compensating contractors who were unable to commence work at the agreed time and hence suffered extra costs such as storage costs of prefabricated units. A claim was agreed during the year and the funds received by the House were surrendered to the Consolidated Fund.

26. Related-party transactions

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

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

	House of Lords	House of Commons
Accommodation and Works services	40%	60%
Communications services	15%	85%
Parliamentary archives	60%	40%
Visitor Tours	30%	70%
Broadcasting services	40%	60%

Both Houses incurred charges on behalf of each other during the year. At 31 March 2007 a net balance of £179,000 was owed to the House of Lords by the House of Commons.

From 1st January 2006 the management of ICT for both Houses moved to the Parliamentary Information and Communications Technology (PICT) service. Each House pays for its own IT hardware, with the costs of shared services being split on an agreed 20:80 ratio (Lords: Commons). Joint IT development projects are shared on an agreed project by project basis.

The British-Irish Inter-Parliamentary Body (BIIPB) is provided with accounting services and accommodation. The House made payments of £152,749 on behalf of the BIIPB in 2006-07. At the year end, the balance due from BIIPB in respect of 2006-07 expenditure was £1,215. Accommodation is also provided to the British American Parliamentary Group.

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

27. Third-party assets

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

	31 March 2006	Gross inflows	Gross outflows	31 March 2007
	£000	£000	£000	£000
Gratuities and service charges	45	370	(365)	50

28. Financial instruments

FRS13 (Derivatives and other Financial Instruments), requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The House of Commons has limited exposure to risk in relation to its activities. As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted.

Liquidity risk

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

Interest rate risk

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

Foreign currency risk

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

Fair values

Set out below is a comparison by category of book values and fair values of the House primary financial assets and liabilities as at 31 March 2007.

	Book Value	Fair Value
	£000	£000
Primary financial instruments		
Financial assets		
Cash at bank & in hand	3,979	3,979
Financial liabilities		
Pension Provisions ¹	337,561	337,561

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

29. Post balance sheet events

In accordance with Financial Reporting Standard 21 Events after the balance sheet date are disclosed, where material up to the date on which the financial statements are authorised for issue. In the public sector this is interpreted as the date of despatch to the Clerk of the House of Commons for laying before Parliament. This date is the 24 July 2007.