

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

Annual Accounts

2012-13

(for the year ended 31 March 2013)

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

Ordered by The House of Commons to be printed 15 July 2013

Published by Authority of the House of Commons

London: The Stationery Office

£10.00

HC 492

© Parliamentary Copyright House of Commons 2013

This publication may be reproduced under the terms of the Open Parliament Licence, which is published at www.parliament.uk/site-information/copyright/

Contents

	Page
Foreword to the Accounts	4
Remuneration Report	9
Statement of Accounting Officer's Responsibilities	13
Annual Governance Statement	14
Certificate and Report of the Comptroller and Auditor General to the House of Commons	22
Statement of Parliamentary Supply	24
Statement of Comprehensive Net Expenditure	25
Statement of Financial Position	26
Statement of Cash Flows	27
Statement of Changes in Taxpayers' Equity	28
Notes to the Accounts	29

Foreword to the Accounts

For the year ended 31 March 2013

Scope of the accounts

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.

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.

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

Core objectives

The New Parliament: Strategy for the House of Commons Service 2010-15 has the aim that by 2015:

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

- The House Service will be engaged on an agreed plan of work to ensure both that the Palace of Westminster is preserved for future generations and that Parliament has the accommodation it needs to operate in a modern democracy.

To achieve this aim the House Service 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.

Further details of the key activities and milestones for 2012-13 were set out in the *Corporate Business Plan 2012-13 to 2014-15* (May 2012). The Management Board reviewed progress against these four core objectives through a monthly *Performance and Risk Report*.

Management commentary

Resources

The House is in the process of delivering a Savings Programme as part of the *New Parliament: Strategy for the House of Commons Service 2010-15* with a target to achieve resource savings of at least 17% by 2014-15. In December 2011 the Commission agreed a resource Estimate of £224 million (HC1927) for 2012-13 in line with the aim of delivering a resource Estimate of no more than £210 million by 2014-15. The total of £224 million was subsequently reduced by £7.5 million to £216.5 million in February 2013 (HC910) to take account of a technical accounting adjustment arising from the revaluation of land and buildings on the parliamentary estate.

The Statement of Parliamentary Supply shows an outturn of £200.5 million against the revised Estimate of £216.5 million for the year. This represents an underspend of £16.0 million (7.4%) which includes a further technical accounting adjustment of £7.5 million when final figures on the valuation of the parliamentary estate were known at the year end.

A significant reduction in value of the Parliamentary Estate in 2009-10 reflected market conditions at the time. This gave rise to an accounting adjustment of £40.5 million in the annual accounts for that year. Since then the value of the Estate has recovered each year which has given rise to a credit in the accounts representing the reversal of the original adjustment. A credit of £3.7 million arose in 2010-11, £20.3 million in 2012-13 with a further adjustment of £15.0 million in these accounts. Each year, the Valuation Office Agency (VOA) provides an estimate for the valuation of the Estate during the autumn prior to them being finalised at the end of the year. The Building Cost Information Service (BCIS) tender price index (TPI), which is one of the main factors used for the valuation of specialist buildings such as the Palace of Westminster, was previously based on a TPI figure of 208 when the Estimate was being planned in 2011-12. This subsequently increased to a figure of 218 at the time of the Supplementary Estimate, generating the original £7.5 million adjustment, before ending the 2012-13 financial year at 229 generating a further adjustment of £7.5 million.

The underspend against delegated departmental budgets was £4.2 million. This represented the early delivery of some areas of the Savings Programme, especially the delivery of print to web savings and reduced House demand for print services (£1.8 million), active management of staffing vacancies (£1.7 million), lower than expected levels of House expenditure on ICT services and investment (£1.3 million) and on professional services (£0.6 million), and reduced expenditure on parliamentary travel related costs (£0.5 million), which were offset by higher than planned expenditure on rates (£1.7 million).

A centrally managed budget to handle emerging costs pressures during the year was not fully required and the rejection of the pay and reward package by the majority of trade union bodies representing House Service staff in March 2013 resulted in a further underspend on the central budget of £4.3 million.

Staff contributions to secure pension benefits were increased from 1 April 2012 given the House of Commons (Administration) Act 1978 requires the terms and conditions of the House of Commons Staff Pension Scheme (HoCSPS) to be kept in line with pensions provided by the Home Civil Service. Contributions have been further increased from 1 April 2013. This should reduce the level of pension liabilities in future years. Consideration is being given to the possible transfer of the staff pension scheme into the Principal Civil Service Pension Scheme (PCSPS) from 1 April 2014.

A renewal programme for the House Administration Information System (HAIS) was implemented from 1 April 2012.

Income

The House of Commons (Administration) Act 1978 allows relevant expenditure to be set off against income received. In 2012-13 net income of £12.4 million was generated which represented an increase from 2011-12 (£11.3 million), due in part from a re-charge to HM Treasury for costs arising from the Parliamentary Commission on Banking Standards.

Capital

A capital Estimate of £30.9 million was originally agreed (HC1927) but was subsequently reduced by £8.5 million to £22.4 million in February 2013 (HC910). An outturn of £17.3 million was achieved against the revised budget representing an underspend of £5.1 million (23.0%). This primarily arose from delays to the delivery of a number of Works programmes.

Cash

A net cash requirement of £189.4 million was achieved against an Estimate limit of £193.1 million. The underspend of £3.7 million (1.9%) represents a cash overspend on resource (£1.4 million) offset by a cash underspend on capital (£5.1 million).

Net Assets

Total assets employed by the House of Commons less current liabilities increased from £872.4 million to £908.2 million at the year end, an increase of £35.8 million (4.1%). The value of the Estate increased by £32.9 million from £844.4 million to £877.3 million after incurring depreciation charges of £12.5 million, while payments on account and the value of assets under construction increased by £2.9 million to £6.9 million.

Net Liabilities

Pension liabilities associated with the House of Commons Staff Pension Scheme (HoCSPS) decreased by £12.1 million from £468.1 million to £456.0 million at the year end. This liability will be redeemed through pension payments made to current and former staff members and as such will not be fully realised for many years. The liability is expected further to decrease following increases in staff contributions from 1 April 2012 and other pension scheme changes given the HoCSPS is required by the House of Commons (Administration) Act 1978 to operate in line with the Principal Civil Service Pension Scheme (PCSPS). Further details are provided in Note 19.

Payment of Suppliers

Performance on the payment of supplier invoices within 30 days of receipt of an invoice improved to a monthly average of 90.2% (88.93% in 2011-12) for the last 6 months of the year. It proved difficult to accurately capture performance statistics at the beginning of the year within the new HAIS system, but the position was resolved once the system had bedded in. It is hoped the functionality provided by the new system will help improve management information on performance in the future.

Further information

The House of Commons Commission publishes an Annual Report reviewing the performance of the House Administration. The 35th Annual Report, about to be published, contains information from the Management Board as well as the annual report from the Accounting Officer. The Annual Report of the Administration Estimate Audit Committee is published with the Commission's Report.

Resources Required for 2013-14

The Commission has agreed to an Estimate with a net resource requirement of £218.0 million for 2013-14 (HC1079). This is £6.0 million less than the previous year, if the one-off revaluation adjustment of £7.5 million is excluded. This lower provision reflects the planned reduction of expenditure to meet the Savings Programme target of £210.0 million by 2014-15 after absorbing inflationary pressures. The savings target represents a real reduction of 17%. It further includes a reduction of £2.0 million to reflect the transfer of Members' stationery and postage expenditure to the House of Commons Members Estimate.

The capital provision has increased by £10.4 million to £32.8 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.

Public interest

At the 31 March 2013 the House of Commons consisted of 650 Members elected by their constituents. The Commons is constitutionally separate from the Government. The House Administration seeks to maintain good practice in employment and business matters. In particular it is committed to the principles of diversity and equality of opportunity, and to the prompt payment of invoices. Further details are contained in the Annual Report of the House of Commons Commission.

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 the Cabinet Office published the Procurement Policy Note *Tax Arrangements of Public Appointees*.

The House of Commons has a number of appointees who would be covered by this guidance; some are appointed on an ad hoc or daily rate basis; examples would include specialist advisers to Select Committees, some are appointed on a full-time basis such as project managers.

In light of the above publications the House of Commons has taken the following actions:

- Identified individuals engaged through off-payroll arrangements, where the daily rate exceeds £220 and the duration of the arrangement exceeds six months, and clarified their employment status; and
- Inserted into standard terms and conditions for future contracts (commencing 1 April 2013), provisions entitling the Administration to seek such assurances.

Further work will be undertaken during 2013-14 to seek assurances from these individuals that they are fulfilling their tax obligations in relation to their work for the House.

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.

Sir Robert Rogers KCB
Accounting Officer

10 July 2013

Remuneration Report

For the year ended 31 March 2013

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.

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

A two year pay freeze for staff in Pay Bands A to E has applied since April 2011. An exemption applied for staff earning less than £21,000 per annum who received a £250 consolidated award in 2012-13. In addition, non-consolidated awards, given in three tiers ranging from £645 for the higher Pay Bands to £395 for the lower Pay Bands, were made. Similar arrangements applied to staff in catering and retail grades, but with the non-consolidated ranging from £380 to £250.

The House of Commons negotiates pay for staff in Pay Bands A to E and in catering pay bands separately. A new pay and reward scheme was put to the Trade Unions in March 2013 but was rejected by three of the four representative unions. The scheme had sought to meet the statutory duty of maintaining pay broadly in line with the Civil Service while facilitating the introduction of new contracts for staff. To achieve these aims it had sought to introduce a fairer system of reward by increasing the length of the working week, abolish existing overtime entitlements and various unsociable hours payments which had accrued over the years.

Salary entitlements (audited)

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

	2012-13			2011-12		
	Salary (a)	Performance Award ¹	Benefits in kind ² (b)	Salary (a) <i>(restated)</i>	Performance Award ¹	Benefits in kind ² (b)
	£000	£000	£000	£000	£000	£000
Sir Robert Rogers KCB	195 – 200	-	19.2	165 – 170 ³ (195 - 200 FYE) ⁴	-	9.6
Sir Malcolm Jack KCB (until 30 September 2011)	n/a	n/a	n/a	95 - 100 (195 - 200 FYE)	-	9.6
Myfanwy Barrett	105 -110	-	-	105 – 110	-	-
John Borley CB	120 - 125	-	-	120 – 125	-	-
David Natzler (from 1 October 2011)	125 – 130	-	-	65-70 (125 - 130 FYE)	-	-
John Pullinger	120 - 125	-	-	120 – 125	-	-
Andrew Walker	120 - 125	-	-	120 – 125	-	-
Joan Miller (c)	100 – 105	-	-	100 – 105	-	-
Alex Jablonowski (d)	25 – 30 ⁵	-	-	30 – 35 ⁵	-	-
Barbara Scott (d) (from 24 May 2012)	15 – 20	-	-	n/a	n/a	n/a

Notes:

(a) Salary includes gross salary and allowances.

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

¹ Performance Awards are non-consolidated and are based on performance during the previous reporting year. There have been no performance awards to members of the Management Board in recent years.

² No figures for the benefit in kind were shown in the 2011-12 accounts as the treatment of these benefits were under discussion with HM Revenue & Customs at the time.

³ Sir Robert Rogers KCB was appointed Clerk of the House on 1 October 2011.

⁴ FYE represents the full year equivalent figure.

⁵ Remuneration for 2012-13 covers all work for the House rather than only Management Board meetings and the comparative for 2011-12 has been restated accordingly.

(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 member who were paid an annual rate in 2012-13.

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

	2012-13	2011-12
Highest earner's total remuneration (£000)	195-200	195-200
Median of total remuneration (£)	31,423	32,005
Ratio	6.29	6.17

Pension benefits (audited)

The pension entitlements of the members of the Management Board, covering the period during which they were on the Board, were as follows (for 2011-12 figures, see House of Commons Resource Accounts, HC486):

	Accrued pension and related lump sum at 31/3/13	Real increase in pension and related lump sum at 31/3/13	CETV at 31/3/13	CETV at 31/3/12 ⁶	Real increase in CETV
	(£000)	(£000)	(£000)	(£000)	(£000)
Sir Robert Rogers KCB ⁷	n/a	n/a	n/a	n/a	n/a
Myfanwy Barrett	5 – 10 (lump sum n/a)	0 – 2.5 (lump sum n/a)	51	25	17
John Borley CB	15 – 20 (lump sum n/a)	0 – 2.5 (lump sum n/a)	216	168	28
David Natzler (from 1 October 2011)	60 – 65 plus (lump sum 180 – 185)	0 – 2.5 plus (lump sum 2.5 – 5.0)	1,413	1,319	18
John Pullinger	45 – 50 plus (lump sum 145 – 150)	0 – 2.5 plus (lump sum 0 – 2.5)	928	874	4
Andrew Walker	55 – 60 plus (lump sum 165 – 170)	0 – 2.5 plus (lump sum 0 – 2.5)	1,209	1,142	2
Joan Miller	15 – 20 plus (lump sum n/a)	0 – 2.5 (lump sum n/a)	309	267	37

⁶ The figures may be different from the closing figures in the 2011-12 Resource Accounts due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

⁷ Sir Robert Rogers KCB has already taken his lump sum from the House of Commons Staff Pension Scheme. His accrued pension worth £70 - £75k is in abatement.

Alex Jablonowski ⁸	n/a	n/a	n/a	n/a	n/a
Barbara Scott ⁸	n/a	n/a	n/a	n/a	n/a

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

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued. It represents the payment required to secure pension benefits in another pension scheme or arrangement should an individual leave the scheme and choose to transfer the benefits accrued. The CETV includes both the value of any benefits previously transferred into the HOCSPPS or added benefits in the pension scheme purchased directly by the individual. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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

Sir Robert Rogers KCB
Accounting Officer

10 July 2013

⁸ Not a member of the House of Commons Staff Pension Scheme.

Statement of Accounting Officer's Responsibilities

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

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

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the House of Commons Administration, the net operating cost, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the House of Commons Financial Reporting Manual. He should ensure that the accounts:

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

The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the organisation's assets, are set out in *Managing Public Money* published by HM Treasury.

Annual Governance Statement⁹

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 members of the Service. 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 Information Communication Technology (PICT) service, which was set up on 1 January 2006 before being formally vested as a joint department from 1 April 2008.

At the start of the financial year the membership of the Commission was:

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

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

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

Sir Paul Beresford MP;

Frank Doran MP;

Angela Eagle MP.

Membership of the Commission changed on 6 September 2012 when the Rt Hon Andrew Lansley CBE MP replaced the Rt Hon Sir George Young Bt CH MP.

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

The Administration Estimate Audit Committee includes Members of Parliament, non-executive Management Board members and an independent expert member; the Chair is currently one of the non-executive external members of the Management Board and the other non-executive Board member also sits on the Committee. The Committee advises the Commission and the Accounting Officer and has oversight of the work of Internal Audit and 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. The Clerk of the House of Commons, who is also the Chief Executive, chairs the Management Board and is the Accounting Officer and Corporate Officer. At the start of the financial year, members of the Management Board were:

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

Myfanwy Barrett: Director of Finance;

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

John Borley CB: Director General, Facilities;

John Pullinger: Director General, Information Services;

David Natzler: Director General, Chamber and Committee Services;

Andrew Walker: Director General, Human Resources and Change;

Joan Miller: Director of PICT;

Alex Jablonowski: External non-executive member.

A further external non-executive member, Barbara Scott, was appointed to the Management Board on 24 May 2012 following the Commission's decision to add a further external non-executive member.

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), and standing bicameral groups of senior officials from both Houses such as the Parliamentary Estates Board and the PICT Advisory Board. 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.

A more detailed account of the House's governance framework is available at <http://www.parliament.uk/documents/commons-commission/Governance%20framework%20Final%20May%202013.pdf>

The House Service has a range of policies and procedures that form part of its governance arrangements. These include rules on finance and procurement, a Staff Handbook which sets out HR policies and practices and a mandated system of risk management. All managers are required to be familiar with, promote and comply with these policies and procedures.

Although the House of Commons Commission is the ultimate authority for the administration of the House, this Statement essentially relates to the remit of the Management Board.¹⁰ 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 governance circumstances are different from those of Government departments, the content of this statement will therefore also differ.

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

¹⁰ The Commission publishes its own Annual Report under s. 1(3) of the House of Commons Administration Act 1978 [<http://www.parliament.uk/mps-lords-and-offices/offices/commons/house-of-commons-commission/related-publications/>]

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 pages¹¹. The Board undertook a formal review of its effectiveness in January 2013 which led to a number of outcomes, including action to improve the Board's operation, decision making and the quality of management information that it receives. This was supported and facilitated by the National Audit Office.

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.¹² 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. 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. The Board's monthly performance and risk report is in the process of revision by the Office of the Chief Executive and the new report will take account of the outcomes of the Board's effectiveness review and an internal audit report on the quality of management information.

Risks management

The Management Board adopted a revised Risk Management Policy and Strategy in May 2011, setting out clear management roles and responsibilities for the House Service, including the application of the 'single platform' risk management governance model which works on the premise that risk is managed at the most appropriate level within the organisation. The Risk Management System is reviewed annually by Internal Audit. The most recent Internal Audit review (April 2013) concluded that the system in place was appropriate, and that further progress had been made over the year in increasing understanding of the system among managers. However the report noted that further work was needed to improve the effectiveness of the practical use of the system in the actual management of risk in the organisation. Areas for improvement include more active escalation of departmental risks, the quality and timeliness of entries in risk registers and the better use of registers to identify mitigations and develop effective remedial action.

The Management Board considered the Board level risks at every one of its meetings in 2012-13. The status and relevance of these risks was reviewed with the Board level risk owners formally four times during the year and in some cases the risk description was amended for clearer identification, and the assessment adjusted to reflect the latest circumstances. The Board also has access to information about risks managed at departmental level, which can be escalated to the Board for action as necessary under our system of risk management.

¹¹ <http://www.parliament.uk/mps-lords-and-offices/offices/commons/management-board/management-board-publications>

¹² 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 2012/13 [<http://www.parliament.uk/mps-lords-and-offices/offices/commons/management-board/management-board-publications1/annual-business-plans/>]

The current risks managed and monitored at Board level are:

Risk	Description
Relations with Member bodies (amended in March 2013)	Differing perspectives of the House Service and Member bodies: <ul style="list-style-type: none"> • the Commission; • the Speaker; and • the Finance and Services Committee will impact on the House Service's ability to achieve its strategic goals.
Relations with the House of Lords	The possibility that differing interests between the two Houses may limit the ability of the House of Commons Service to achieve its strategic goals.
Reputational issues	The House suffers a loss of reputation due to ineffective or inadequate action 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 (amended in April 2012)	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 (amended in September 2012)	The ineffective prioritisation and management of financial resources (and contract management) will impact on the House Service's ability to achieve its strategic goals.

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 the head of each House department and PICT; separate letters of assurance on security (from 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 Committee. The letters from heads of department were subject to internal challenge and review by the Office of the Chief Executive. In addition, account has been taken of the monthly corporate performance and risk reports and the findings of the 2012 survey of services provided to Members.

Findings on effectiveness

In this section I review the evidence about the organisation's effectiveness. In many areas – and all the important ones – highlighted last year, 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.

Financial management

The Department of Finance has taken a number of actions over the course of the year to improve financial management. Significant progress has been made in 2012-13, although there is still more work to do to reach the desired standard.

During 2012-13, financial planning, budgetary control and in-year financial monitoring and reporting have improved, but I recognise that further improvements are necessary, in particular on budgetary control and forecasting and the financial capability of staff outside the Department of Finance.

The House Service's Finance Function was reviewed during 2012-13, with a new structure and arrangements coming into effect on 1 April 2013. This is designed to ensure that there is a clear structure in place in the Department of Finance which meets customer needs and to establish an improved Finance Business Partnering model. Reviews were conducted of Accounts Payable and Accounts Receivable, and of Payroll, which has enabled efficiencies to be achieved in these areas. The business case process, and associated guidance for staff, was reviewed and improved and a training programme for staff responsible for completing and for reviewing business cases was established. The first training courses were delivered in the last quarter of the financial year. Work also continued to develop a counter fraud function, including raising awareness and the development of risk registers.

Both capital and resource expenditure in the year was significantly below the voted Estimate. While a significant part of the Resource underspend related to the early realisations of savings and the revaluation of part of the Estate, the underspend has continued to focus efforts to improve the House Service's ability to forecast its expenditure effectively. Action is under way to improve the Service's forecasting capacity – including through the provision of training, and the underspend is being examined to see whether there is potential to realise further savings. The capital underspend was due mainly to lack of project staff resource, but also to delays to projects, particularly before the construction phase.

The Savings Programme progressed well in 2012-13 and a report from the Finance and Services Committee including savings proposals was debated and endorsed on the Floor of the House in November 2012. Effective governance is in place to manage the programme. There are some emerging areas of uncertainty and risk surrounding some of the identified savings and income generation proposals that will need to be closely monitored and managed to ensure that all planned savings are delivered to timetable. The Management Board regularly considers progress on delivery of the Programme.

Procurement and contract management

This is an area where more work was clearly needed – there have for instance been ongoing concerns about the House Service's capacity for effective contract management. Nevertheless, much has been accomplished during the year. For instance, good progress was made 2012-13 in implementing the agreed procurement improvement plan. In particular:

- The new structure for the Commercial Services Directorate was implemented;
- Savings were achieved from procurement exercises;
- The register of contracts was completed and contract management training was introduced; and
- Better use has been made of purchasing data, and a new scorecard will be provided to the Management Board in 2013-14.

Further work is required this year to embed good contract management and develop a sustainable procurement policy. A key challenge for 2013-14 will be to ensure that further increasing compliance with our agreed procurement processes delivers real value to the organisation.

House Administration Information System

The renewed House Administration Information System (HAIS) – the House Service's finance, HR and payroll system – has been a major area of activity. This has a very significant impact on payroll, pensions and the accounts payable/accounts receivable function. The system took a while to settle in and this meant that the organisation was not in a position to report core HR information, or monthly financial forecasts, to the Management Board for some time at the start of the year. Problems were also identified in using the new system for financial reporting of projects whose budgets span

financial years, and issues have arisen recently with the quality of HR and payroll data. Work is in hand to address these.

Security

During the course of the year the Parliamentary Security Director (PSD) and his successor (who took up his appointment in February 2013) have worked to ensure that the security of the Parliamentary Estate has continued to improve. There have been no significant breaches of physical security on the Parliamentary Estate during the year. The PSD commissioned a review of Parliament's Special Services Agreement with the Metropolitan Police Service and the Management Boards of both Houses endorsed its conclusions. The new PSD has identified a number of issues that need to be addressed in the coming year to ensure the continued security of the organisation, and a plan of work is being developed.

Information security

Information security continues to be an important concern for the House Service. Further effort is needed to embed effective information security behaviour in the organisation: more needs to be done on reporting information losses and the information security aspects of mobile technology and social media need more consideration. Progress has been made, including in conjunction with the House of Lords administration, in strengthening the controls which are in place to help ensure information is maintained securely. These include: running training and awareness-raising events for staff; implementing an electronic document and records management system (SPIRE) to ensure among other objectives the secure storage and timely disposal of electronic information; improving the security of our record management system; engaging a qualified Accreditor to provide an independent assessment of the information security risk posed by new systems or services; and compiling a comprehensive set of Registers of Sensitive Information Assets (RSIAs) for all departments. A process for reporting incidents of equipment and information loss or misuse is in place. During 2012-13 no incidents involving personal data required the Information Commissioner's Office (ICO) to be informed.

Business resilience

Work continued to deliver the bi-cameral business resilience programme. The bi-cameral Incident Management Framework was reviewed during the course of the year by the Business Resilience Group and a new refreshed Framework and Incident Management Plan was agreed by both Management Boards. The Boards agreed the provision of some additional staff for the operation of the IMF. Additional training has been provided to support staff and aspects of the IMF have been tested during the year, as have departmental business continuity plans, although not all departments have conducted full tests. Work was completed on access to remote working by key staff in an emergency. There were no major failures of our business resilience during the year; however, a number of business continuity incidents during the year have highlighted electrical resilience as a key issue for us. A plan of action is in hand to address the risks identified. Work continued on our planning for emergency relocation, and while some progress was made, more needs to be done. An in-house approach is in hand to ensure robust contingency plans for relocation are in place by the end of 2013. We are currently exploring an external audit of Parliament's resilience arrangements by the British Standards Institute. We will decide in the first half of 2013-14 how we might seek this external assurance by working towards certification to the International Standard for Business Continuity Management (ISO22301:2013).

Estates issues

The Palace of Westminster is one of the country's most iconic buildings and its upkeep and maintenance is one of our largest costs and most important duties. I am also conscious in this context of my statutory responsibilities for compliance with fire safety and environmental regulations.

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 modern standards. The Crown Premises Inspection Group has reiterated the need to improve fire safety matters but is satisfied that

our approach to fire safety is robust and that the planned improvements are progressing. I am satisfied that adequate plans are in place to improve the situation within a reasonable timescale, including through awareness-raising with Members and staff.

In last year's statement I drew attention to several areas of non-compliance with statutory requirements for environmental performance. The House Service is part way through the implementation of actions to address these. Good progress has already been made and plans are in hand to deal with a range of specific issues. Performance against Parliament's targets for water consumption, carbon emissions and waste generated has been good, to the extent that in 2013-14 we have been able to set ourselves more challenging targets for water consumption.

As mentioned above, there was a lack of staff in key posts in the Parliamentary Estates Directorate in 2012-13, which was one of the reasons for the Capital underspend. Some progress has been made in addressing the shortage of qualified engineers and project leaders in the Estates Directorate.

This year the Commission and the House Committee in the House of Lords considered a report by officials in both Houses on the long-term future of the historic Estate and agreed that taking no action to restore the fabric of the Estate was not an option¹³. The Commission approved an independent appraisal of all the viable options; the results of this appraisal will be reviewed by the Commission in mid-2014.

Staffing issues

Staff of the House of Commons Service are the key resource in running the organisation effectively and ensuring the delivery of its objectives. This is reflected in the two Board-level risks relating to staff morale and organisational capability. Results from the most recent survey of staff and the latest Investors in People review, while noting areas of strength including a high degree of pride in working for the organisation, highlighted the need to improve the management capacity of our staff, especially amongst our middle managers and leaders, and the requirement to strengthen our culture of performance management. There is also more work to do to reach required standards in some areas including Learning and Development.

Several initiatives were taken during the year to respond to these. All departments have compiled action plans to address the areas of weakness identified by the Investors in People reviews, and the Board has endorsed a People Strategy which brings together our plans for maintaining and increasing our capability as a House Service, as well as setting out our long term vision for the kind of employer we want to be. A new competency framework for staff is being launched in 2013-14 and this will be supported by a Learning Management System from April 2014. A new edition of the Staff Handbook was issued, including changes to procedures for managing poor performance to bring them into line with ACAS guidelines and make them simpler and clearer for managers to follow.

The new HR delivery programme was established by the Board to tackle inequalities in pay and reward across the House Service that were identified through the previous HR policies, practices and procedures programme and were legacies of the federal structure that existed before the changes implemented in response to the Tebbit Review. The HR delivery programme brings together HR support for the Savings Programme and the delivery of a new system of pay and reward for staff. The programme will report to the Board quarterly and will also monitor and report to the Board on the delivery of the People Strategy. At the end of 2012-13, the Board made a pay and reward offer to staff the aims of which included dealing with inequalities in our reward structure. This offer was rejected by members of three of the four Trade Unions recognised by the House Service. Further work on modernising our pay and reward structure will be undertaken during 2013-14.

During a year a small number of cases were brought under the Respect policy, which governs relations between staff and Members. Although cases were generally settled within the provisions of the policy, experience in operating it has highlighted deficiencies of the current system. A review of the system was launched during the year and will report to the Commission early in 2013-14.

¹³ <http://www.parliament.uk/documents/commons-commission/PED-Modernisation-Report-Oct12.pdf>

Good progress has been made in the implementation of the House-wide Diversity and Inclusion Scheme, including support for the establishment of further workplace equality networks.

House of Lords

As I noted above, 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, particularly in the context of the Web and Intranet Service and retail operations.

Sir Robert Rogers KCB
Accounting Officer

10 July 2013

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 2013. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity, and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

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 all equivalent to Departmental Expenditure Limits (Resource and Capital) and the Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Regularity

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 2013, 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 2013 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the House of Commons Financial Reporting Manual.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- 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.

Amyas C E Morse

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

Date: 10 July 2013

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2012-13

		Estimate			Outturn			2012-13	2011-12
								Voted outturn compared with Estimate: saving/ (excess) ¹⁴	Outturn
Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Total	
	£000	£000	£000	£000	£000	£000	£000	£000	
Departmental Expenditure Limit equivalent									
- Resource	2.1	216,500	-	216,500	200,530	-	200,530	15,970	201,187
- Capital	2.2	22,400	-	22,400	17,255	-	17,255	5,145	9,357
Total		238,900	-	238,900	217,785	-	217,785	21,115	210,544

Net cash requirement 2012-13

Note	2012-13 Estimate	Outturn	2012-13 Outturn compared with Estimate: saving/ (excess) ¹²	2011-12 Outturn
	£000	£000	£000	£000
4	193,100	189,427	3,673	189,174

Administration Costs 2012-13

2012-13 Estimate	2012-13 Outturn	2011-12 Outturn
£000	£000	£000
216,500	200,528	201,187

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.

¹⁴ Explanations of variances between the Estimate and Outturn are given in the Management Commentary (Page 5).

Statement of Comprehensive Net Expenditure for the Year ended to 31 March 2013

	Note	2012-13 £000	2011-12 £000
Administration Costs			
Staff Costs	7	84,660	86,054
Other costs	8	125,172	123,816
Grants paid	9	3,136	2,568
Income	10	(12,440)	(11,251)
Net Operating Cost for the year ended 31 March 2013	3	200,528	201,187
Total expenditure		212,968	212,438
Total income		(12,440)	(11,251)
Net Operating Cost for the year ended 31 March 2013		200,528	201,187

Other Comprehensive Net Expenditure

		2012-13 £000	2011-12 £000
Net (gain)/loss:			
- revaluation of Property, Plant and Equipment	6.1	(19,124)	(22,321)
- pension liabilities due to changes in actuarial assumptions	19a	(38,900)	13,300
Total Comprehensive Expenditure for the year ended 31 March 2013		142,504	192,166

Statement of Financial Position

as at 31 March 2013

			31 Mar 2013		31 Mar 2012
	Note	£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	11	911,084		875,011	
Intangible assets	13	815		913	
Total non-current assets			911,899		875,924
Current assets:					
Inventories	15	515		519	
Trade and other receivables	16	14,765		11,505	
Cash and cash equivalents	17	4,020		3,599	
Total current assets			19,300		15,623
Total assets			931,199		891,547
Current liabilities					
Trade and other payables	18	(22,974)		(19,193)	
Total current liabilities			(22,974)		(19,193)
Total assets less current liabilities			908,225		872,354
Non-current liabilities					
Provisions	19a, 19b	(463,276)		(474,486)	
Total non-current liabilities			(463,276)		(474,486)
Total Assets less liabilities			444,949		397,868
Taxpayers' equity and other reserves:					
General fund		266,233		235,825	
Revaluation reserve		175,248		158,638	
House of Commons Commission reserve	17	3,468		3,405	
Total equity			444,949		397,868

Sir Robert Rogers KCB
Accounting Officer
10 July 2013

Statement of Cash Flows

for year ended 31 March 2013

	Note	2012-13 £000	2011-12 £000
Cash flows from operating activities			
Net operating cost	3	(200,528)	(201,187)
Adjustments for non-cash transactions	7, 8	38,891	35,471
(Increase)/Decrease in trade and other receivables	16	(3,260) ¹⁵	464
(Increase)/Decrease in inventories	15	4 ¹⁶	(178)
Increase/(Decrease) in trade payables	18	3,781 ¹⁷	(6,606)
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	18	(358) ¹⁸	614
Use of provisions	19a, 19b	(10,561)	(8,303)
Net cash outflow from operating activities		(172,031)	(179,725)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(17,173)	(8,933)
Purchase of intangible assets	13	(263)	(516)
Proceeds of disposal of property, plant and equipment		40	-
Net cash outflow from investing activities		(17,396)	(9,449)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		189,785	188,761
Interest received on HoCC Reserve Balance		63	9
Net financing		189,848	188,770
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		421	(404)
Receipts due to the Consolidated Fund which are outside the scope of the House of Commons' activities		-	-
Payments of amounts due to the Consolidated Fund		-	(201)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		421	(605)
Cash and cash equivalents at the beginning of the period	17	3,599	4,204
Cash and cash equivalents at the end of the period	17	4,020	3,599

¹⁵ This reflects the increase in figure from £11,505,000 (2011-12) to £14,765,000 (2012-13).

¹⁶ This reflects the decrease in figure from £519,000 (2011-12) to £515,000 (2012-13).

¹⁷ This reflects the increase in figure from £19,193,000 (2011-12) to £22,974,000 (2012-13).

¹⁸ This reflects the increase in figure from £194,000 (2011-12) to £552,000 (2012-13).

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2013

	General Fund	Revaluation Reserve	Commission Reserve	Donated Asset Reserve	Total Reserves
Note	£000	£000	£000	£000	£000
Balance at 31 March 2011	255,640	138,833	3,396	364	398,233
Net Parliamentary Funding – drawn down	188,761	-	-	-	188,761
Net Parliamentary Funding – deemed	607	-	-	-	607
Supply (payable)/receivable adjustment	18 (194)	-	-	-	(194)
Net Operating Cost	(201,187)	-	-	-	(201,187)
Non-Cash Adjustments					
Non-cash charges – auditor's remuneration	8 100	-	-	-	100
Movement in Reserves					
Additions	2,518	-	9	-	2,527
Recognised in Statement of Comprehensive Expenditure	(13,300)	22,321	-	-	9,021
Transfers between reserves	2,880	(2,516)	-	(364)	-
Balance at 31 March 2012	235,825	158,638	3,405	-	397,868
Net Parliamentary Funding – drawn down	189,785	-	-	-	189,785
Net Parliamentary Funding - deemed	18 194	-	-	-	194
Supply (payable)/receivable adjustment	18 (552)	-	-	-	(552)
Net Operating Cost	(200,528)	-	-	-	(200,528)
Non-Cash Adjustments					
Non-cash charges – auditor's remuneration	8 95	-	-	-	95
Movement in Reserves					
Additions	-	-	63	-	63
Recognised in Statement of Comprehensive Expenditure	38,900	19,124	-	-	58,024
Transfers between reserves	2,514	(2,514)	-	-	-
Balance at 31 March 2013	266,233	175,248	3,468	-	444,949

Notes to the Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2012-13 *House of Commons Financial Reporting Manual (FReM)*. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the House of Commons context. Where the FReM permits a choice of accounting policy, the policy which is judged to be the most appropriate to give a true and fair view has been selected. The particular policies adopted by the House of Commons are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the House to prepare an additional primary statement. The *Statement of Parliamentary Supply* and supporting Notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

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

1.2 Relationship with House of Lords

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

The Parliamentary Archives are a shared facility, operated on behalf of both Houses by the House of Lords. The costs of the Archives are split between the House of Commons (40%) and House of Lords (60%).

Arrangements for security are agreed jointly by the authorities of both Houses of Parliament with the Metropolitan Police. These costs are monitored jointly by the authorities in the two Houses but are billed individually to the House of Commons and House of Lords in a pre-determined ratio (69:31 for 2012-13).

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

1.3 Property, plant and equipment

Property

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

All property is subject to a full professional valuation at least every five years. Annual interim reviews are undertaken to ensure that asset values remain in line with their fair value. A full valuation was undertaken during 2012-13.

Revaluation losses are taken first to reserves and then to the Statement of Comprehensive Net Expenditure for any loss in excess of previous revaluation gains.

Freehold properties

Title to freehold land and buildings is held as follows:

- the Palace of Westminster by the Sovereign; and
- property on the House of Commons part of the Parliamentary estate by the Corporate Officer of the House of Commons (the Clerk of the House).

The whole of the parliamentary estate was re-valued by the VOA as at 31 March 2013.

Long leasehold

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

Investment properties

The House of Commons holds interests in land and buildings which are classified as investment properties with the rental income being negotiated at arm's length. All contracts are treated on an operating lease basis. These properties are the car park at Abingdon Street, 10 and 11 Bridge Street, 49 and 50 Parliament Street and Units A, B and C in Portcullis House.

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

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

Equipment

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

Plant and machinery

Plant and machinery includes the Great Clock mechanism and Department of Facilities catering equipment and vehicles. The Great Clock was re-valued using appropriate indices at 31 March 2006. Consideration was given to undertaking a revaluation in 2012-13, but it was considered not cost effective given the unique nature of the asset. Catering equipment and vehicles are not re-valued.

1.4 Donated assets

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

Donated assets currently comprise works of art only and will not be subject to a depreciation charge in line with House policy on works of art (see Note 1.6).

1.5 Heritage Assets

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 12.

Antique furniture and Speaker's silver

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

Antique furniture and the Speaker's silver are re-valued every five years, of which the last professional valuation was carried out in February 2010 by Paul Davidson MRICS (Bonhams).

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

Parliamentary Art Collection

The Parliamentary Art Collection is the national collection of art relating to the history of Parliament. It contains images of important parliamentary events past and present, and includes the murals, mosaics and tapestries within the Palace of Westminster. There is also a collection of medals with associations to former parliamentarians.

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

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

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

Antiquarian books

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

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

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

The Speaker's state coach

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

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

Broadcasting archives

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

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

Parliamentary Archives

The Parliamentary Archives comprise several million documents that have been preserved at the Palace of Westminster from 1497 to date in a variety of formats from medieval vellum and parchment to modern computer disk. Parliamentary records prior to 1497 form part of the National Archives. Most of the records are unique and irreplaceable and have been preserved for their historical, legal and administrative value, consequently it is not deemed cost effective to obtain a value.

The Parliamentary Archives who provide the service were established within the House of Lords in 1946. The administration costs of this service have been shared with the House of Commons since 1999. Any operational assets held by the Parliamentary Archives are disclosed within the House of Lords Resource Accounts. The Parliamentary Archives publishes an Annual Report which is available via www.parliament.uk. Full details of the Parliamentary Archives acquisition policy are also available at this web address.

Ceremonial items

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

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

Architectural salvage and estate archives

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

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

1.6 Depreciation

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

Depreciation is charged on a straight line basis. The period over which to depreciate property assets is advised by the Valuation Office Agency (VOA). The rates adopted are calculated to write off the valuation of freehold buildings, plant, equipment and intangible assets by equal instalments over their estimated useful lives, with the exception of heritage assets (i.e. antique furniture, Speakers silver and the Parliamentary art collection with an estimated life of more than 200 years). Heritage assets are not depreciated (as per accounting standard IAS 16) because the long remaining life or high residual value of the asset makes any such charge immaterial. Capital works on leasehold property are depreciated on a straight line basis over the lease period. The capitalised costs for assets in the course of construction are not depreciated until the assets are brought into use.

For accounting purposes the lives of the property, plant and equipment and intangible are in the following ranges:

Property:	Years
Land	not applicable
Palace of Westminster	83
Freehold property (excluding Portcullis House)	22-40
Portcullis House	48
Leasehold property	17-35
Plant and equipment:	
Furniture - standard	10
Furniture - antique	400
Plant & machinery – catering	10-30
Plant & machinery - Great Clock mechanism	400
Other plant and machinery	4-5
Works of Art	400
Fixtures and fittings - standard	10
Fixtures and fittings - antique	400
Speaker's Silver	400
General office equipment	3-5
Computer file servers	5
Computer equipment (excluding file servers)	4-5
Broadcasting equipment	10
Telephone equipment	5
Intangible assets	5

1.7 Intangible assets

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

1.8 Current investments

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

1.9 Inventories

Inventories are valued as follows:

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

1.10 Research and development expenditure

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

1.11 Operating income

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

1.12 Foreign exchange

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

1.13 Pensions

Past and present employees are covered by the provisions of the House of Commons Staff Pension Scheme (HOCSPS) which operates by analogy to the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and non-contributory except in respect of dependants' benefits. The House recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the HOCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the HOCSPS. In respect of the defined contribution schemes, the House recognises the contributions payable for the year. Further details are provided in Note 19.

1.14 Early departure costs

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

1.15 Leases

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

1.16 Private Finance Initiative (PFI) transactions

The House of Commons has no PFI transactions.

1.17 Provisions

The House of Commons makes provision for pensions, early departure costs, dilapidations and legal costs. The House of Commons Staff Pension Scheme (HOCSPS) was valued in accordance with the accounting standard IAS 19 for 2012-13.

1.18 Contingent liabilities

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

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

1.19 VAT and Corporation Tax

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

The House is not subject to Corporation Tax.

1.20 Third party assets

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

1.21 Segmental Reporting

The analysis provided at Note 5 meets the reporting requirement of International Financial Reporting Standard, Operating Segments (IFRS 8).

1.22 House of Commons Commission Reserve

Under the powers provided by the House of Commons (Administration) Act 1978 as amended by the Government Resources and Accounts Act 2000, the House of Commons Commission has established a reserve for any excess income generated. Agreement of the Commission is required before any sums can be drawn down. Further details are provided at Note 17.

1.23 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.

2. Net outturn

2.1 Analysis of net resource outturn

	2012-13			Estimate	Net total compared to Estimate	2011-12
	Outturn					Outturn
	Gross £000	Income £000	Net £000			Total £000
Spending in DEL equivalent ¹⁹	212,968	(12,438)	200,530	216,500	15,970	201,187

2.2 Analysis of net capital outturn

	2012-13			Estimate	Net total compared to Estimate	2011-12
	Outturn					Outturn
	Gross £000	Income £000	Net £000			Total £000
Spending in DEL equivalent ¹⁹	17,436	(181)	17,255	22,400	5,145	9,357

3. Reconciliation of net resource outturn to net operating cost

	Note	2012-13 £000	2011-12 £000
		Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply		200,530	201,187
Donations classified as capital income		(2)	-
Net Operating Cost in Statement of Comprehensive Net Expenditure		200,528	201,187

¹⁹ DEL equivalent represents Departmental Expenditure Limit equivalent as defined in the Estimate (HC910)

4. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with estimate: saving/(excess) £000
Resource Outturn	2.1	216,500	200,530	15,970
Capital Outturn	2.2	22,400	17,255	5,145
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Non-cash items – other administration costs		(38,500)	(24,875)	(13,625)
Non-cash items – staff costs		(13,300)	(14,016)	716
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in inventories		-	(4)	4
Increase/(decrease) in receivables		-	3,260	(3,260)
(Increase)/decrease in payables		-	(3,423)	3,423
Use of provision	19a, 19b	6,000	10,561	(4,561)
Proceeds of assets disposals		-	(40)	40
NBV of disposed capital assets			179	(179)
Net Cash Requirement		193,100	189,427	3,673

5. Statement of Operating Costs by Operating Segment

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

The work of each department is described briefly below.

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

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

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

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

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

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

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

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

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

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

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

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

	2012-13									Total £000
	DCCS £000	DF £000	DFin £000	DHR&C £000	DIS £000	PICT £000	OCE/SPK & PSD ²⁰ £000	PP £000	CP ²¹ £000	
Gross Expenditure	42,547	66,676	3,673	7,721	18,981	16,969	24,998	6,710	24,695	212,968
Income	(792)	(8,887)	(11)	(183)	(2,097)	(6)	(130)	-	(334)	(12,440)
Net Expenditure	41,755	57,789	3,662	7,538	16,884	16,963	24,868	6,710	24,359	200,528
Total assets										931,199
Net assets										444,949
	2011-12									Total £000
	DCCS £000	DF £000	DFin £000	DHR&C £000	DIS £000	PICT £000	OCE/SPK & PSD £000	PP £000	CP ²¹ £000	
Gross Expenditure	70,106	79,505	3,544	7,609	18,221	17,871	2,148	7,971	5,463	212,438
Income	(578)	(9,394)	(12)	(148)	(1,115)	(4)	-	-	-	(11,251)
Net Expenditure	69,528	70,111	3,532	7,461	17,106	17,867	2,148	7,971	5,463	201,187
Total assets										891,547
Net assets										397,868

²⁰ The cost of certain security related contracts (£22.8 million) have been transferred from both DCCS and DF to PSD.

²¹ For 2012-13 the technical accounting adjustment (£15.0 million) associated with the revaluation of the Estate has been allocated to DF rather than CP as in 2011-12.

6.1 Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure

	2012-13	2011-12
	£000	£000
Total net expenditure per statement of comprehensive net expenditure by operating net segment	200,528	201,187
Net (gain)/loss on revaluation of Property, Plant and Equipment	(19,124)	(22,321)
Net (gain)/loss pension liabilities due to changes in actuarial assumptions	(38,900)	13,300
Total net expenditure per Statement of Comprehensive Net Expenditure	142,504	192,166

The revaluation of the Parliamentary Estate during the financial year resulted in a net gain of £34,141,000 reflecting an improvement in the property market and changes to the Tender Price Index used for interim valuations. The net revaluation gain of £34,121,000 has been allocated between the Revaluation Reserve (£19,124,000) and the Statement of Comprehensive Net Expenditure (£15,017,000).

7. Staff numbers and related costs

Staff costs comprise:

	2012-13	2011-12
	£000	£000
Wages and salaries	59,730	62,255
Social security costs	5,007	4,955
Other pension costs (non-cash)	14,016	13,270
Contributions to stakeholder pensions	100	119
Sub Total	78,853	80,599
Inward secondments/agency staff	6,565	6,242
Sub Total	85,418	86,841
Less recoveries in respect of outward secondments	(758)	(787)
Total net costs	84,660	86,054

Permanent staff are entitled to join the House of Commons Staff Pension Scheme (HOCSPS). It operates by analogy with the Principal Civil Service Pension Scheme (PCSPS) as a defined benefits scheme and is funded on a pay-as-you-go basis. The Statement of Financial Position includes a provision against which future pension benefits will be charged when paid. The accruing cost of benefits is charged to the Statement of Comprehensive Net Expenditure in the annual accounts.

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

For 2012-13 contributions of £14,016,000 were payable to the HOCSPS (2011 -12 £13,270,000) 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 accrue, not when the costs are actually incurred, and reflects past experience of the scheme

Employees joining after 1 October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £99,740 were paid to one or more of the panel of three appointed providers. The House of Commons pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employees do not have to contribute but, where they do, their contributions are matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers

also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25% of the fund as a lump sum. Contributions due to the partnership pension providers at the balance sheet date were £7,396. The contributions prepaid at that date were nil.

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:

	2012-13	2011-12
Average number (<i>permanent staff</i>)	1,764	1,793
Average number (<i>agency staff</i>)	48	36

The decrease in the number of permanent staff reflects the savings programme together with a voluntary exit scheme in March 2013.

7.1 Compensation schemes – exit packages

Exit package cost	²² Number of compulsory redundancies	²² Number of other departures agreed
<£10,000	- (-)	5 (17)
£10,000 - £25,000	- (-)	15 (36)
£25,000 - £50,000	- (-)	7 (18)
£50,000 - £100,000	- (-)	5 (6)
£100,000 - £150,000	- (-)	2 (2)
£150,000 - £200,000	- (-)	1 (2)
Total number of exit packages by type	- (-)	35 (81)
Total Resource cost (£)	- (-)	1,324,367 (2,219,070)

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

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

²² Prior year figures are in brackets.

8. Other Administration Costs

		2012-13		2011-12	
	Note	£000	£000	£000	£000
Rentals under operating leases					
Buildings rental		10,823		10,521	
Other rental		462		421	
Subtotal			11,285		10,942
Non-cash items					
Depreciation	11	15,062		15,653	
Amortisation	13	361		331	
(Profit)/loss on disposal of property, plant & equipment		139		42	
Net (gain)/loss on revaluation of property, plant and equipment	6.1	(15,017)		(20,342)	
Auditors' remuneration and expenses ²³		95		100	
Interest cost	19a	22,800		24,000	
Provision provided for in year	19b	1,380		2,417	
Borrowing Costs (Unwinding of discount) on provisions	19b	55		-	
Total non-cash items			24,875		22,201
Accommodation services		26,814		24,543	
Security		24,750		21,726	
Information		10,371		13,209	
Computer maintenance		7,161		7,576	
Communications		5,699		6,100	
Finance and specialist services		3,794		6,040	
Catering and other supplies		3,851		3,965	
Travel and subsistence		2,178		2,882	
Other staff costs		2,463		2,855	
Office supplies		1,028		1,234	
Broadcasting		903		543	
			89,012		90,673
Grand Total			125,172		123,816

²³ Auditors have received no remuneration for non-audit work

9. Grants paid

	2012-13	2011-12
	£000	£000
History of Parliament Trust	1,061	1,061
Commonwealth Parliamentary Association (UK Branch)	922	1,167
Inter Parliamentary Union (British Group)	886	265
Public Information Projects	120	-
British Irish Parliamentary Assembly	72	-
British American Parliamentary Group	69	69
Association of Former Members of Parliament	6	6
	3,136	2,568

10. Income

	2012-13	2011-12
	£000	£000
Receipts from sales	9,905	10,093
Rental receipts and associated charges	1,128	986
Other receipts	1,380	94
Fees on private bills	18	10
Grants	7	-
Donated Asset	2	68
	12,440	11,251

11. Property, plant and equipment

2012-13

	Land & Buildings excluding dwellings	Dwellings	Heritage Assets	Furniture & Fittings	Plant and Machinery	Equipment and computers	Payments on Account & Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
As at 1 April 2012	1,392,893	10,998	17,867	3,338	2,758	26,035	4,022	1,457,911
Additions	13,262	-	22	199	18	2,577	1,093	17,171
Donations ²⁴	-	-	2	-	-	-	-	2
Disposals	(219)	-	-	(313)	-	(9,922)	-	(10,454)
Reclassifications	(1,799) ²⁵	-	32	-	-	-	1,767	-
Revaluations ²⁵	40,238	773	-	-	-	-	-	41,011
At 31 March 2013	1,444,375	11,771	17,923	3,224	2,776	18,690	6,882	1,505,641
Depreciation								
At 1 April 2012	559,305	228	-	1,791	564	21,012	-	582,900
Charge in the year	12,232	245	-	298	138	2,149	-	15,062
Disposals	(44)	-	-	(313)	-	(9,918)	-	(10,275)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	6,923	(53)	-	-	-	-	-	6,870
At 31 March 2013	578,416	420	-	1,776	702	13,243	-	594,557
Carrying amount at 31 March 2012	833,588	10,770	17,867	1,547	2,194	5,023	4,022	875,011
Carrying amount at 31 March 2013	865,959	11,351	17,923	1,448	2,074	5,447	6,882	911,084

Analysis of land and buildings

Analysed into freehold, improvements to short leasehold and investments

	Land		Buildings		Total
	Freehold	Freehold	Improvements to short leasehold	Investments	
Cost or Valuation	£000	£000	£000	£000	£000
At 1 April 2012	110,328	1,260,635	5,359	16,571	1,392,893
Additions	-	12,193	920	149	13,262
Disposals	-	-	(219)	-	(219)
Reclassifications ²⁶	-	-	-	(1,799)	(1,799)
Revaluations	32,594	6,425	-	1,219	40,238
At 31 March 2013	142,922	1,279,253	6,060	16,140	1,444,375
Depreciation					
At 1 April 2012	-	557,922	1,383	-	559,305
Charge in the year	-	11,778	454	-	12,232
Disposals	-	-	(44)	-	(44)
Reclassifications	-	-	-	-	-
Revaluations	-	6,923	-	-	6,923
At 31 March 2013	-	576,623	1,793	-	578,416
Carrying amount at 31 March 2012	110,328	702,713	3,976	16,571	833,588
Carrying amount at 31 March 2013	142,922	702,630	4,267	16,140	865,959

²⁴ Includes donation of four works of art (with a total estimated value of £2,000) from Anthony Williams, Edward Leigh MP, Hugh Bayley MP and Elizabeth Crawford.

²⁵ Land and Buildings were valued in March 2013 by Marc Seabrook, FRICS of Valuation Office Agency.

2011-12

	Land & Buildings excluding dwellings	Dwellings	Heritage Assets	Furniture & Fittings	Plant and Machinery	Equipment and computers	Payments on Account & Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
As at 1 April 2011	1,311,306	9,568	17,780	3,568	2,635	25,715	106	1,370,678
Additions	7,714	-	19	311	123	666	32	8,865
Donations ²⁷	-	-	68	-	-	-	-	68
Disposals	-	-	-	(541)	-	(346)	-	(887)
Reclassifications	(1,444)	(28)	-	-	-	-	3,884	2,412
Revaluations ²⁸	75,317	1,458	-	-	-	-	-	76,775
At 31 March 2012	1,392,893	10,998	17,867	3,338	2,758	26,035	4,022	1,457,911
Depreciation								
At 1 April 2011	513,008	-	-	2,010	419	18,561	-	533,998
Charge in the year	12,185	228	-	322	145	2,773	-	15,653
Disposals	-	-	-	(541)	-	(322)	-	(863)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	34,112	-	-	-	-	-	-	34,112
At 31 March 2012	559,305	228	-	1,791	564	21,012	-	582,900
Carrying amount at 31 March 2011	798,298	9,568	17,780	1,558	2,216	7,154	106	836,680
Carrying amount at 31 March 2012	833,588	10,770	17,867	1,547	2,194	5,023	4,022	875,011

Analysis of land and buildings

Analysed into freehold, improvements to short leasehold and investments

	Land		Buildings		Total
	Freehold	Freehold	Improvements to short leasehold	Investments	
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2011	98,307	1,197,524	4,930	10,545	1,311,306
Additions	-	7,285	429	-	7,714
Reclassifications	(997) ²⁹	(2,965) ²⁸	-	2,518 ³⁰	(1,444)
Revaluations	13,018	58,791	-	3,508	75,317
At 31 March 2012	110,328	1,260,635	5,359	16,571	1,392,893
Depreciation					
At 1 April 2011	-	512,013	995	-	513,008
Charge in the year	-	11,797	388	-	12,185
Reclassifications	-	-	-	-	-
Revaluations	-	34,112	-	-	34,112
At 31 March 2012	-	557,922	1,383	-	559,305
Carrying amount at 31 March 2011	98,307	685,511	3,935	10,545	798,298
Carrying amount at 31 March 2012	110,328	702,713	3,976	16,571	833,588

²⁶ The reclassification from Investment properties (£1,799,000) to Assets under the Course of Construction reflects the temporary suspension of use and refurbishment of 49 and 50 Parliament Street.

²⁷ Includes donation of four portraits worth £68,000 from the Speaker's Art Fund.

²⁸ Land and Buildings were valued in March 2012 by Marc Seabrook, FRICS of Valuation Office Agency.

²⁹ The reclassification from Freehold Land (£997,000) and Buildings (£2,992,000) to Assets under the Course of Construction reflects the temporary suspension of use and refurbishment of 53 Parliament Street.

³⁰ The reclassification of £2,518,000 into Investment Properties is a result of 10 Bridge Street being held to earn rental income, with the increase in value has been credited to the General Fund.

Land and Buildings analysed by Net Book Value

Analysed by individual land, buildings and investment property

	31 March 2013			
	Land £000	Buildings £000	Investment £000	Total £000
Palace of Westminster ³¹	68,400	451,356	-	519,756
Portcullis House	33,250	188,715	-	221,965
Norman Shaw North	13,618	16,644	-	30,262
1 Parliament Street	9,740	14,610	-	24,350
Norman Shaw South	6,600	9,900	-	16,500
1 Derby Gate	5,914	8,871	-	14,785
1 Canon Row	5,400	6,600	-	12,000
Visitors Reception building	-	5,935	-	5,935
Improvements to leasehold buildings	-	4,267	-	4,267
3 Parliament Street	1,440	1,760	-	3,200
2 Parliament Street	1,390	1,390	-	2,780
4 Canon Row	1,100	1,100	-	2,200
2 Canon Row	868	972	-	1,840
102 Rochester Row	365	365	-	730
22 John Islip Street	360	240	-	600
Abingdon St Car Park	-	4,620	-	4,620
Units A, B & C Portcullis House	-	-	6,840	6,840
10 Bridge Street	-	-	3,000	3,000
11 Bridge Street	-	-	1,680	1,680
Net Book Value at 31 March 2013	148,445	717,345	11,520	877,310

	31 March 2012			
	Land £000	Buildings £000	Investment £000	Total £000
Palace of Westminster ³²	63,000	447,354	-	510,354
Portcullis House	22,036	195,081	-	217,117
Norman Shaw North	7,865	14,606	-	22,471
1 Parliament Street	6,351	14,817	-	21,168
Norman Shaw South	4,602	10,739	-	15,341
1 Derby Gate	3,633	8,476	-	12,109
1 Canon Row	2,841	5,276	-	8,117
Visitors Reception building	-	6,364	-	6,364
Improvements to leasehold buildings	-	3,976	-	3,976
3 Parliament Street	1,120	2,080	-	3,200
2 Parliament Street	1,007	1,643	-	2,650
4 Canon Row	861	1,239	-	2,100
2 Canon Row	560	1,040	-	1,600
102 Rochester Row	290	290	-	580
22 John Islip Street	224	416	-	640
Abingdon St Car Park	-	-	4,765	4,765
Units A, B & C Portcullis House	-	-	5,694	5,694
10 Bridge Street	-	-	2,518	2,518
11 Bridge Street	-	-	1,795	1,795
49 Parliament Street ³³	-	-	1,141	1,141
50 Parliament Street ³²	-	-	658	658
Net Book Value at 31 March 2012	114,390	713,397	16,571	844,358

³¹ The total value of the Palace at 31 March 2013 was £866,260,000 (House of Commons' share £519,756,000)

³² The total value of the Palace at 31 March 2012 was £850,589,400 (House of Commons' share £510,353,640)

³³ 49 & 50 Parliament Street were reclassified as an asset under construction in 2012-13.

12. Heritage assets

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
Total	4,002	1,798
Speaker's silver	1,098	-

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

The House's detailed management, preservation, disposal and access policy are in the process of being drafted. Subject to the approval of the House, the Collections Care Manager 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 to the Museum Association's disposal policy³⁴. The vast majority of items in the collection were acquired over forty years ago.

The value of the Antique furniture, £13,716,730, is included on the heritage asset group in Note 11.

The value of the Speaker's silver, £2,537,485, is included on the heritage asset group in Note 11.

Parliamentary Art Collection

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

The collection comprises the following categories:

	Purchased prior to 31 March 2000 Number 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

Title for the Henry Moore sculpture 'Knife Edge – Two Piece' which is located on Abingdon Green passed from the Department of Culture Media and Sport to the House of Commons in 2011-12. No valuation is currently held for this work of art. Other acquisitions since 1 April 2000 have either been made by purchase or donation, the value of which is included in the heritage asset group in Note 11, £1,668,482.

The Parliamentary Art collection is managed by the House's Curator, who is responsible for all aspects of the management, care, conservation, preservation and interpretation of the Parliamentary Art Collection at the Palace of Westminster in accordance with the policies that are approved by the Works of Art Advisory committee.

Further details, including examples of some of the artwork, can be found on the 'Art in Parliament' website at www.parliament.uk.

³⁴ <http://www.museumsassociation.org/collections/disposal-toolkit-and-training>

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

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

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

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

The House's disposal policy was approved during 2012-13.

Medals

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

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

Ceremonial items

The House's collection of ceremonial items consists of 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.

13. 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 2012	298	1,420	1,718
Additions	93	170	263
Disposals	-	-	-
Reclassifications	-	-	-
At 31 March 2013	391	1,590	1,981
Amortisation			
At 1 April 2012	15	790	805
Charged in year	72	289	361
Disposals	-	-	-
At 31 March 2013	87	1,079	1,166
Carrying amount at 31 March 2012	283	630	913
Carrying amount at 31 March 2013	304	511	815

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

14. Financial instruments

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

Liquidity risk

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

Interest rate risk

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

Foreign currency risk

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

Fair values

Set out below is a comparison by category of book values and fair values of the House primary financial assets and liabilities as at 31 March 2013.

		Book Value	Fair Value
	Note	£000	£000
Primary financial instruments			
Financial assets			
Cash and cash equivalents	17	4,020	4,020
Trade and other receivables	16	7,407	7,407
Financial liabilities			
Trade and other payables	18	22,422	22,422
Early Departures	19b	1,955	1,955

15. Inventories

	2012-13	2011-12
	£000	£000
Catering	277	355
Store equipment	93	88
Other	145	76
	515	519

16. Trade receivables, financial and other assets

	<u>2012-13</u>	<u>2011-12</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Trade receivables	6,013	2,058
Deposits and advances	523	538
VAT and other taxes	871	1,243
Prepayments and accrued income	7,298	7,425
	<u>14,705</u>	<u>11,264</u>
Amounts falling due after more than one year:		
Prepayments and accrued income	60	241
	<u>14,765</u>	<u>11,505</u>

17. Cash and cash equivalents

	<u>2012-13</u>	<u>2011-12</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April	3,599	4,204
Net change in cash and cash equivalent balances	421	(605)
Balance at 31 March	<u>4,020</u>	<u>3,599</u>
The following balances at 31 March were held at:		
Government Banking Service	351	53
Commercial banks and cash in hand	201	141
House of Commons Commission Reserve account	3,468	3,405
Balance at 31 March	<u>4,020</u>	<u>3,599</u>

18. Trade payables and other current liabilities

	2012-13	2011-12
	£000	£000
Amounts falling due within one year:		
Other taxation and social security	1,904	5
Trade payables	1,606	128
Members	-	2
Other payables	2,802	3,690
Accruals and deferred income	16,110	15,174
	22,422	18,999
Amounts issued from the Consolidated Fund for supply but not spent at year end	552	194
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	-	-
	22,974	19,193

There are no amounts due to be paid after one year

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

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

The House of Commons (Administration) Act 1978 requires the staff pension scheme to operate in line with the Principal Civil Service Pension Scheme (PCSPS). As such it is required to mirror any future changes to the PCSPS that arise from the Independent Public Service Pensions Commission: Final Report (Hutton Report) published on 10 March 2011. Member pension contributions were increased from 1 April 2012 and have been further increased from 1 April 2013.

Benefits provided

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

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

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

Benefits in the classic scheme accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For the premium scheme, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike the classic scheme, there is no

automatic lump sum but members may commute some pension for a cash lump sum on retirement. The classic plus scheme is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per the classic scheme, and benefits for service from October 2002 worked out as in the premium scheme. In the nuvos scheme a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with statutory index-linked increase. In all cases members may opt to commute pension for a lump sum payment up to the limits allowed by the Finance Act 2004.

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

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

Pensions costs shown against the Administration Estimate

With the scheme being unfunded all changes to pension liabilities shown in the accounts represent non-cash adjustments. The benefits earned by staff during the current year (£14.0 million) are shown in Note 7, while the cost of pension interest on the historic liabilities (£22.8 million) appears in Note 8 of the accounts. Both the current service cost and pension interest are scored against the Administration Estimate.

Actuarial advice suggests the current public sector pay freeze is not considered to impact significantly on the longer term trend for pay increases. Based on the financial and demographic assumptions applicable at the start of 2012-13 outlined below, the employer's contribution rate for the year ended 31 March 2013 was 24.8% of pensionable salary (23.5% in 2011-12).

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

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

Assumptions adopted for calculating the pension fund liabilities

The actuarial valuation involves placing a current value on the benefit payments due to be paid in future years. It covers a considerable period and includes liabilities accrued during 2012-13 and previous years for current and former employees. The International Accounting Standard (IAS 19) requires the value of the accrued pension liabilities and current service cost (or contribution rate) to be assessed using the standard actuarial methodology known as the Projected Unit Credit Method.

(i) Demographic assumptions

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

(a) Life expectancy of healthy pensioners at age 60

	As at 31 March 2013		As at 31 March 2012	
	Male (years)	Female (years)	Male (years)	Female (years)
Current pensioners	28.6	30.7	29.0	32.4

Future pensioners ³⁵	31.1	33.0	31.5	35.0
---------------------------------	------	------	------	------

(b) Life expectancy of healthy pensioners at age 65

	As at 31 March 2013		As at 31 March 2012	
	Male (years)	Female (years)	Male (years)	Female (years)
Current pensioners	23.9	25.8	24.0	27.3
Future pensioners ³⁵	26.7	28.5	26.9	30.4

(ii) Financial assumptions

With the exception of the rate of earnings inflation, advised by GAD on the basis of historic trends, the main financial assumptions adopted are in accordance with HM Treasury guidance (PES(2012)16) issued in November 2012.

	As at 31 March 2013	As at 31 March 2012
Rate of increase in salaries	3.95%	4.25%
Rate increase pensions	1.7%	2.0%
Rate used to discount scheme liabilities	4.1%	4.85%
CPI rate	2.35%	2.8%

In arriving at these assumptions an allowance has been made for known pension increases of 5.2% and 2.2% in April 2012 and April 2013 respectively, and the known average pay award for 2012-13 of 0.15%.

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

	£million
Change of rate assumed:	
- 0.5% in earnings	14.0
- 0.5% in pensions in payment	32.0
Pensioner mortality:	
- Increase 2 years	23.0

Membership data

Active Members as at 1 st April 2012	Classic	Classic Plus	Premium	Nuvos	Total
Number of Active Members as at 1 April 2012	766	44	510	491	1,811
Average pensionable service (years)	19.3	19.5	8.5	2.4	11.7
Average full-time equivalent pay	£38,668	£39,714	£33,609	£28,840	£34,506
Average accrued Nuvos Pension	n/a	n/a	n/a	£1,733	n/a
Average age (years)	49.5	50.4	42.7	38.2	44.5

³⁵ Illustrative life expectancies at ages 60 and 65 for future pensioners as at 31 March 2012, and 31 March 2013 are based upon members aged 40 at these dates.

Deferred Members

Preserved Pensioners as at 1 April 2012	
Number of former members with preserved pensions	795
Average annual preserved pension including increases to 1 April 2012	£3,311
Average age (years)	44.6

Pensioner Members

Pensioners and Dependants as at 1 April 2012	
Number of beneficiaries in receipt of pensions	1,045
Average annual pension including increases to 1 April 2012	£9,119
Average age (years)	70.9

Movement on pension liabilities

The House of Commons Staff Pension Scheme (HOCSPS) is valued under International Accounting Standard (IAS19). An actuarial review undertaken by the Government Actuary's Department (GAD) shows the total pension liability has decreased by £12.1 million, from £468.1 million to £456 million, at the 31 March 2013. These liabilities are expected to reduce in future years following the increase in member contributions from 1 April 2012.

	2012-13	2011-12
	£000	£000
Balance at 1 April	468,095	425,259
Current service cost:		
Employer's contribution ³⁶	14,016	13,270
Employees' contribution ^{37/39}	2,730	2,079
Actuarial losses / (gains)	(38,900)	13,300
Interest cost ³⁸	22,800	24,000
Benefits paid ³⁹	(12,616)	(11,281)
Transfers in <i>less</i> transfers out ³⁹	(102)	1,468
Balance at 31 March	456,023	468,095

GAD were asked to forecast the impact on the liability of adopting an alternative assumption for short term salary growth of 1% until the end of 2015-16 and then reverting to the long term salary growth assumption thereafter. A change in the assumed nominal rate of salary growth from 3.95% to 1% until 2015-16 would be expected to reduce the liability by £21.0 million implying a new liability of £435.0 million.

³⁶ For 2012-13 the employer's contribution rate was 24.8% of pensionable pay (23.5% in 2011-12).

³⁷ Employee contributions have been increased from 1 April 2013.

³⁸ This is based on the previous year's discount rate (4.85%) applied to the previous year's pension liability (£468.1 million) before other actuarial adjustments. Equivalent figures for 2011-12 were 5.6% applied to liabilities of £425.3 million)

³⁹ Provision used in year was £9,988,000 (benefits paid out £12,616,000 plus net transfers £102,000 less employee contributions £2,730,000)

Historical movements on actuarial gains and losses shows

	2012-13	2011-12	2010-11	2009-10	2008-09
	£000	£000	£000	£000	£000
Total Actuarial (Gain)/Loss					
Amount	(38,900)	13,300	(28,900)	115,400	(39,900)
As a percentage of the present value of the scheme liabilities at 31 March	8.5%	2.8%	6.8%	24.5%	12.2%

19(b) Other provisions

	Early Departure Costs	Legal Claims & Bad Debt	Dilapidation Costs	Voluntary Exits	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2011	1,663	-	2,752	128	4,543
Provided in the year	577	47	1,998	-	2,622
Provisions not required written back	-	-	(148)	(57)	(205)
Provisions utilised in the year	(336)	-	(162)	(71)	(569)
Borrowing costs (unwinding of discounts)	-	-	-	-	-
Balance at 31 March 2012	1,904	47	4,440	-	6,391
Provided in the year	451	102	359	650	1,562
Provisions not required written back	-	(44)	(138)	-	(182)
Provisions utilised in the year	(455)	(3)	(115)	-	(573)
Borrowing costs (unwinding of discounts)	55	-	-	-	55
Balance at 31 March 2013	1,955	102	4,546	650	7,253

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 2.35% in real terms.

Legal claims

Provision has been made for various legal claims against the House of Commons. This reflects all known claims where legal advice indicates that it is more than 50% likely that the claim will be successful and the amount of the claim can be reliably estimated.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 21.

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

This reflects the exits in 2013-14 that were agreed in and relate to the 2012-13 Voluntary Exit Scheme.

20. Capital and other commitments**20.1 Capital commitments**

	<u>2012-13</u>	<u>2011-12</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.	14,907	6,312

20.2 Commitments under leases**20.2.1 Operating leases**

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

	<u>2012-13</u>	<u>2011-12</u>
	<u>£000</u>	<u>£000</u>
Obligations under operating leases comprise:		
Buildings		
Not later than one year	10,343	10,878
Later than one year and not later than five years	41,373	40,658
Later than five years	45,509	55,050
Total	97,225	106,586
Other ⁴⁰		
Not later than one year	138	116
Later than one year and not later than five years	145	58
Later than five years	-	-
Total	283	174

20.2.2 Finance leases

There were no significant finance leases held during 2012-13 (2011-12 £nil).

⁴⁰ 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.

21. Contingent liabilities

The House of Commons has the following contingent liabilities:

	1 April 2012	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2013
	£000	£000	£000	£000	£000
Personal injuries claims	186	67	-	(10)	243
Works of Art on loan from various collections	2,022	590	-	-	2,612
Total	2,208	657	-	(10)	2,855

The Unions representing staff within the House Service have launched a legal challenge, listed to be heard in January 2014, against the House's position that pay progression is non-contractual.

22. Losses and special payments

22(a) Losses Statement

	2012-13	2011-12
	£000	£000
Total – 100 cases (2011-12: 113 cases)	141	1,563

Details of cases over £250,000

There were no cases over £250,000 in 2012/13 (2011-12: £1.6 million).

22(b) Special Payments

The House made two special payments totalling £20,000 in 2012-13 (2011-12: £nil).

23. Related-party transactions

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

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

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

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

	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%

The House of Commons incurred expenditure of £34,593,000 (2011-12 - £38,672,000) on behalf of the House of Lords during 2012-13. The balance as at 31 March 2013 relating to accommodation, works and other shared services owed to the House of Commons by the House of Lords was £3,383,000 (2011-12 - £1,073,000 owed by the House of Commons to the House of Lords).

The House of Lords incurred expenditure of £431,000 (2011-12 - £392,000) on behalf of the House of Commons during 2012-13. The balance as at 31 March 2013 owed to the House of Lords by the House of Commons was £30,000 (2011-12 - £20,000).

PICT manages the ICT for both Houses. Each House pays for its own IT hardware, with the costs of shared services being split on an agreed 80:20 ratio (Commons: Lords). Joint ICT development projects are shared on an agreed project by project basis.

The British-Irish Parliamentary Assembly (BIPA) is provided with accounting services and accommodation. The House made payments of £162,200 on behalf of the BIPA in 2012-13. At the year end, the balance due from BIPA in respect of 2012-13 expenditure was £7,900. Accommodation is also provided to the British American Parliamentary Group, Commonwealth Parliamentary Association (UK Branch) and the British Group of the Inter-Parliamentary Union.

24. Third-party assets

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

	2012-13	2011-12
	£000	£000
Gratuities and service charges	54	42

25. Entities within the departmental boundary

The entities within the boundary during 2012-13 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.

26. 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.