

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

Annual Accounts

2013-14

(for the year ended 31 March 2014)

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

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Foreword to the Accounts

For the year ended 31 March 2014

Scope of the Estimate

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

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

Strategic report

Purpose

At the 31 March 2014 the House of Commons consisted of 650 Members elected by their constituents. The House of Commons is constitutionally separate from the Government.

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 Service. The House of Lords is recharged for its share of costs relating to the parliamentary estate. In addition, the two Houses also incur administration costs on each other's behalf and these are also recharged. Certain security running costs are monitored jointly but billed separately to the two Houses.

Core objectives

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

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

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

To achieve this aim the House Service has four strategic goals:

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

Further work on developing a strategy for the 2015-2020 Parliament is in hand. This will involve consultations with the House of Lords on bicameral issues including the parliamentary estate and ICT services.

The House Service seeks to maintain good practice in employment and business matters. In particular it is committed to the principles of diversity and equality of opportunity, and to the prompt payment of invoices. Further details of the key activities and milestones for 2013-14 were set out in the *Corporate Business Plan 2013-14 to 2015-16* published in April 2013. The Management Board reviewed progress against these four core objectives through a monthly *Performance and Risk Report* together with a *Quarterly Performance Review*.

The House of Commons Commission publishes an Annual Report reviewing the performance of the House Administration. The 36th Annual Report¹, 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.

Medium Term Financial Plan

A Savings Programme began in 2010 with a House of Commons Commission commitment to reduce resource expenditure by at least 17% in real terms by 2014-15. From an original baseline of £231 million this meant achieving a baseline of no more than £210 million by 2014-15. A plan (HC 691) for the financial years 2013-14 to 2016-17, including a draft Estimate for 2013-14, was published on 29 October 2012 and endorsed after a debate by the House of Commons on 8 November 2012. This was updated for the financial years 2014-15 to 2017-18 (HC 754) on 16 October 2013. The later report was subsequently endorsed after a debate by the House of Commons on 21 November 2013.

Transfer of certain functions and other technical accounting adjustments has resulted in the original target of £210.0 million being changed to a revised baseline of £203.3 million. This has more than been achieved with an agreed resource Estimate of £201.3 million for 2014-15 which is £2 million less than the target. The Savings Programme closed at the end of March 2014 but its legacy will be protected by embedding and further developing a programme of continuous improvement, to deliver a cost conscious culture amongst those responsible for delivering services across Parliament.

Estate investment plans

Planning for two major Works programmes, the refurbishment of certain properties located on the northern part of the parliamentary estate and the restoration and renewal of the Palace of Westminster, has been progressed during the year. The restoration and renewal of the Palace will be a particular significant programme given it forms an integral part of a World Heritage site. The House

¹ <http://www.parliament.uk/business/committees/committees-a-z/other-committees/house-of-commons-commission/publications/>

of Commons Commission has agreed a set of potential options on which further work is being progressed to allow a decision on the preferred approach to be taken after the 2015 General Election.

Staff pension scheme

During the year the Commission agreed, and the regulations were amended, to permit the merger of the House of Commons Staff Pension Scheme with the Principal Civil Service Pension Scheme (PCSPS) from 1 April 2014. This did not affect the pension rights of scheme members as the benefits are required to be kept in line by the 1978 Act, but it will remove historic pension liabilities of around £525.2 million from the Statement of Financial Position together with accompanying annual pension interest costs of around £18.8 million from the Statement of Comprehensive Net Expenditure in future financial years. It will further reduce the volatility on the remaining current pension costs given the contribution rates for the PCSPS are fixed ahead of the financial year.

Following advice from the Government Actuary's Department (GAD) a further £430 million has been added to the cash requirement provided in the 2014-15 House of Commons Administration Estimate (HC1231) for the transfer of the pension liabilities. At present the transfer value appears to be much lower than the pension liability of £525.2 million shown at the 31 March 2014 because the financial assumptions, especially the discount rates, used to calculate the transfer payment are those adopted for scheme funding valuations rather than accounting liability valuations under International Accounting Standards (IAS 19). The difference between the two figures in these accounts may need to be written back in the 2014-15 Administration Annual Accounts once the transfer value has been confirmed.

Review of online services

A review of online services was undertaken in response to the fast changing nature of the digital world and user expectations. On the back of the recommendations made it has been agreed to create a new bicameral Digital Office to bring together the management of all online and ICT services. The new office will be established during 2014-15.

Management commentary

Resources

In December 2012 the Commission agreed a resource Estimate of £218.0 million (HC1079) for 2013-14 which was in line with the original projected Savings Programme target. The Statement of Parliamentary Supply shows an outturn of £201.7 million which represents a resource underspend of £16.3 million (7.5%). This reflects accounting adjustments following the revaluation of the parliamentary estate (£9.3 million) and on the staff pension scheme (£2.5 million); together with reduced expenditure on security contracts (£1.1 million), printing and publishing (£0.8 million) and accommodation costs (a rates rebate of £2.9 million offset by an estates obsolescence charge of £1.2 million). The reduced expenditure reflects, in part, the impact of the final stage of the Savings Programme.

Management of the Estimate during the year was complicated by pay negotiations and the volatility of both pension and parliamentary estate valuation costs. Further details of the pay negotiations are disclosed in the Remuneration Report.

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

For example, during the last year alone movements on these figures have been:

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

There was a significant reduction in value of the parliamentary estate in 2009-10 which 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. The adjustment in 2013-14 was £9.3 million. This net adjustment reflects movements on individual buildings over the period.

Capital

Capital expenditure totalled £24.4 million against an Estimate of £32.8 million, representing an underspend of £8.4 million (25.6%). This primarily arose against estate projects and excludes the Henry Moore sculpture and other donated assets (see Note 9). A review of the quality of planning and forecasting of capital expenditure was undertaken at the year end. Recommendations to improve the quality of financial information have been agreed by the Management Board and will be implemented from 2014-15.

Cash

A net cash requirement of £184.7 million was achieved against an Estimate limit of £203.8 million. The underspend of £19.0 million (9.4%) primarily represents the capital underspend (£8.4 million), increased income generation (£1.1 million), together with movements on monetary working capital (£8.2 million).

Income

The House of Commons (Administration) Act 1978 allows relevant expenditure to be set off against income received. In 2013-14 net income of £13.1 million was generated, predominantly from retail and tour activities, which was higher than the planned income (£12.0 million) anticipated in the original Estimate.

Payment of Suppliers

Performance on the payment of supplier invoices within 30 days of receipt of an invoice was 90.5% which was a small improvement on the previous year (90.2% in 2012-13). This area of financial services is a target for further performance improvement, involving a number of stakeholders, from 2014-15.

Net Assets

Total assets employed by the House of Commons less current liabilities increased from £908.2 million to £941.7 million at the year end, an increase of £33.5 million (3.7%). The value of the estate increased by £31.9 million to £909.2 million after incurring depreciation charges of £13.2 million, while payments on account and the value of assets under construction increased by £4.1 million to £10.9 million.

Net Liabilities

Pension liabilities associated with the House of Commons Staff Pension Scheme (HoCSPS) increased by £69.2 million (15.2%) from £456.0 million to £525.2 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. Minor changes to the actuarial assumptions adopted can have a significant impact on the scale of these liabilities (see Note 18.1). During the year the net discount rate set by HM Treasury in December 2013 was reduced from 2.35% to 1.8% per annum,

which together with other movements on the assumptions adopted on advice from the Government Actuary's Department (GAD), accounts for the significant increase in the liabilities shown at 31 March 2014.

The large movement on trade payables and other current liabilities (see Note 17) mainly reflects the accrual arising from the new pay and reward package agreed at the end March 2014, further details of which are provided in Note 4.

Supply required for 2014-15

The Commission has agreed to an Estimate with a net resource requirement of £201.3 million for 2014-15 (HC1231). This is £16.7 million less than the previous year, representing the transfer of pension liabilities to the PCSPS (an annual saving of around £18.8 million on pension interest costs) less additional resources for the planned Education Centre (£1.0 million), possible transfer of the Intelligence and Security Committee (£0.7 million) and other technical accounting adjustments associated with the parliamentary estate.

The capital provision has increased by £10.2 million to £43.0 million reflecting a significant increase in the planned Works investment programme. In particular, the refurbishment of certain properties on the northern estate and planning activity for the Palace of Westminster restoration and renewal programme.

Tax arrangements of Public Appointees

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

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

Table A: Off-payroll engagements at 31 March 2014 for more than £220 per day which have lasted for longer than six months:

	Number
Existing engagements as of 31 March 2014	95
Of which at the time of reporting have existed for:	
less than one year	52
between one and two years	20
between two and three years	7
between three and four years	6
for four years or more	10

All of the 95 contractors have been subject to a risk based assessment during 2013-14, to consider whether assurance is required that the individual is paying the appropriate amount of tax and, where necessary, that assurance has been sought in accordance with the newly introduced terms and conditions.

Of the 95 engagements:

- 36 relate to Select Committee Specialist Advisers whose contracts exceed the 6 month criteria but are used on an ad hoc basis throughout the year. The majority of Advisers were paid less than £5,000 in the year, only 6 were paid between £5,000 and £10,000.
- 46 relate to developers, engineers, testers who work for PICT and are specialists in their area.

Contractors who have been engaged for more than three years are being reviewed on a case by case basis to assess whether alternative arrangements are feasible.

Table B: New off-payroll engagements, or those that reached six months in duration between 1 April 2013 and 31 March 2014, for more than £220 per day which have lasted for longer than six months:

	Number
New engagements, or those that reached six months in duration between 1 April 2013 and 31 March 2014	76
Of which included contractual clauses giving the right to request assurance in relation to income tax and National Insurance obligations	74
For whom assurance has been requested	46
Of which:	
assurance has been received	26
assurance has not been received	20*
Have been terminated as a result of assurance not being received.	9*

* Of the 20 contractors who did not provide assurances as at 31 March 2014, 10 provided assurance after 1 April 2014, one remains outstanding and is being followed up.

The two contractors whose contracts did not include the relevant clauses are being contacted to rectify the situation.

Table C: Off-payroll engagements of Board Members and/or senior officials with significant financial responsibility, between 1 April 2013 and 31 March 2014:

	Number
Off-payroll engagements of Board Members and/or senior officials with significant financial responsibility during the financial year.	2
Individuals that have been deemed 'Board Members and/or senior officials with significant responsibility' during the financial year both off-payroll and on-payroll.	13

The two Non-Executive Members of the Management Board are engaged under three year contracts and have provided the appropriate assurance.

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 2014

Remuneration Report

For the year ended 31 March 2014

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.

During the summer of 2013 revised proposals for pay within the scope of a pay remit, which the House of Commons (Administration) Act 1978 requires to be kept broadly in line with the remit adopted for the Home Civil Service, were developed and formed the basis of pay negotiations with the unions in October 2013. Unfortunately, despite intensive discussions between management and trade union sides, no agreement was reached. Following a meeting with the House of Commons Commission further discussions were held with the unions in December 2013 to explore alternative ways of reaching a settlement, prior to High Court proceedings on pay progression. Despite making progress it did not prove possible to reach agreement with all the unions. The High Court found in favour of the House Service on 29 January 2014 that there was no right to pay progression after the end of the 2008-10 pay agreement. However, the Management Board remained committed to reaching an agreement and re-opened pay negotiations. The original pay offer made in March 2013 was simplified by removing a number of complex elements although the focus remained on pay reform including the introduction of a new Pay Band A to E structure, the harmonisation of working hours and the removal of departmental variations. These further negotiations allowed a settlement agreement to be reached. The total consolidated value of the final pay agreement reached covering the years 2013-14 to 2015-16 and including the 1% pay award already paid to staff in 2013, on average is worth 10.4% cumulatively over the three years. In addition, all Pay Band A to E staff in post on 31 March 2014 received a £2,500 non-consolidated payment to buy-out certain existing terms and conditions. Where the £2,500 payment was less than 5% of salary the difference was paid as an additional non-consolidated payment. Discussions on the pay award to Senior Commons Staff and other staff grades outside Pay Bands A to E are continuing .

For Senior Commons Staff 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 2013-14 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.

Salary entitlements (audited)

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

Officials	Salary (£'000)		Benefits in kind (£'000)		Pension benefits (£'000) ²		Total (£'000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Sir Robert Rogers KCB	195-200	195-200	19.4	19.2	n/a ³	n/a ³	215-220	215-220
Myfanwy Barrett	105-110	105-110	-	-	44	42	145-150	145-150
John Borley CB	120-125	120-125	-	-	56	44	165-170	160-165
David Natzler	130-135	125-130	-	-	(6)	18	125-130	145-150
John Pullinger CB	120-125	120-125	-	-	8	6	125-130	125-130
Andrew Walker	120-125	120-125	-	-	6	3	125-130	120-125
Joan Miller (c)	100-105	100-105	-	-	21	40	120-125	140-145
Alex Jablonowski (d) (until 18 September 2013)	10-15	25-30	-	-	n/a	n/a	10-15	25-30
Dame Janet Gaymer DBE (d) (from 19 September 2013)	10-15	-	-	-	n/a	n/a	10-15	-
Barbara Scott (d) (from 24 May 2012)	20-25	15-20	-	-	n/a	n/a	20-25	15-20

Notes:

(a) Salary includes gross salary and allowances. There were no bonus payments in 2012-13 and 2013-14 to members of the Management Board.

(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 certain officers are required to use in the course of their duties.

(c) The salary and pension benefits for the Director of Parliamentary Information Communications and Technology are paid directly by the House of Commons; 20% of the costs are recharged to the House of Lords. The salary and pension benefits disclosed represent the total remuneration package paid between the two Houses.

(d) External Board members are paid an annual rate in 2013-14 which includes Audit Committee work.

² The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum, less the contributions made by the individual. The real increases exclude adjustments due to inflation or the transfer of pension rights. In certain circumstances this can result in a decrease in the real pension value during the financial year. In addition, where a scheme member has exceeded retirement age but remains within the scheme this can further decrease the real pension value.

³ Sir Robert Rogers took formal retirement for the purposes of the Scheme on 31 March 2012.

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

	2013-14	2012-13*
Highest earner's total remuneration (£000)	215-220	215-220
Median of total remuneration (£)	33,275	31,423
Ratio	6.54	6.92

*2012-13 figures have been restated to include benefits-in-kind.

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

Pension benefits (audited)

The pension entitlements of the members of the Management Board, covering the period during which they were on the Board, were as follows (for 2012-13 figures, see House of Commons Resource Accounts, HC492):

Officials	Accrued pension and related lump sum at pension age as at 31/3/14 (£000)	Real increase in pension and related lump sum at pension age (£000)	CETV at 31/3/14 (£000)	CETV at 31/3/13 ⁴ (£000)	Real increase in CETV (£000)
Sir Robert Rogers KCB ⁵	n/a	n/a	n/a	n/a	n/a
Myfanwy Barrett	5 – 10 (lump sum n/a)	2.5 – 5 (lump sum n/a)	78	51	18
John Borley CB	15 – 20 (lump sum n/a)	2.5 – 5 (lump sum n/a)	270	216	38
David Natzler	60 – 65 plus (lump sum 185 – 190)	0 – 2.5 plus (lump sum 0 – 2.5)	1,435	1,419	(6)
John Pullinger CB	50 – 55 plus (lump sum 150 – 155)	0 – 2.5 plus (lump sum 0 – 2.5)	994	928	6
Andrew Walker	55 – 60 plus (lump sum 170 – 175)	0 – 2.5 plus (lump sum 0 – 2.5)	1,292	1,209	5
Joan Miller	15 – 20 plus (lump sum n/a)	0 – 2.5 (lump sum n/a)	338	309	19
Alex Jablonowski ⁶ (until 18 September 2013)	n/a	n/a	n/a	n/a	n/a
Dame Janet Gaymer DBE ⁶ (from 19 September 2013)	n/a	n/a	n/a	n/a	n/a
Barbara Scott ⁶	n/a	n/a	n/a	n/a	n/a

⁴ The figures may be different from the closing figures in the 2013-14 Resource Accounts due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

⁵ Sir Robert Rogers has already taken his lump sum from the House of Commons Staff Pension Scheme. His accrued pension worth £65k - £70k is in abatement and attracting increases in line with price inflation.

⁶ Not a member of the House of Commons Staff Pension Scheme.

Pension benefits during 2013-14 were 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 18.

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

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

Sir Robert Rogers KCB
Accounting Officer

10 July 2014

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 Annual Accounts be prepared on a resource basis.

The 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 outturn, 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 Statement⁷

Governance framework of the House of Commons

The House of Commons Administration is overseen by the group of Members of Parliament who make up the statutory House of Commons Commission. Under the House of Commons (Administration) Act 1978 the management of the House Service and its operations is delegated, through an Instrument of Delegation, by the Commission to the senior officials who form the House of Commons Management Board. The Commission signs off the annual budget for the House; its approval must be obtained for any major change to the structure of the House of Commons Service; and it is the legal employer of House Service staff. The Parliament (Joint Departments) Act 2007 further provides for joint departments to be established with the House of Lords. There is currently one joint department, the Parliamentary Information and Communication Technology (PICT) Service, which was set up on 1 January 2006 before being formally vested as a joint department from 1 April 2008.

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

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

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

Angela Eagle MP: Shadow Leader of the House of Commons

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

Sir Paul Beresford MP

Frank Doran 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.

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. The Committee advises the Commission and the Accounting Officer and has oversight of the work of Internal Audit and the work carried out for the House by the National Audit Office. Its annual report is published with the House of Commons Commission's Annual Report.

The House of Commons Management Board oversees the operational functions of the House and develops the House's policies, budgets and strategic planning, the main elements of which are endorsed by the Commission. 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

John Borley CB: Director General, Facilities

David Natzler: Director General, Chamber and Committee Services

⁷ The House of Commons Members Estimate is the subject of a separate Governance Statement published with the House of Commons Members Annual Accounts (HC 471).

John Pullinger CB: Director General, Information Services

Andrew Walker: Director General, Human Resources and Change

Joan Miller: External member, Director of PICT

Alex Jablonowski: External non-executive member

Barbara Scott: External non-executive member

Dame Janet Gaymer DBE QC (Hon) replaced Alex Jablonowski as an external non-executive member of the Management Board on 19 September 2013.

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/business/commons/governance-of-the-house-of-commons/>

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

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.⁸ 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 Service is able to follow the Treasury's Corporate Governance Code. Significant variations from the Code include the fact that the Management Board is not equivalent to the single management board of a Whitehall department; the balance of executive and non-executive members is different; and there is no Nominations and Governance Committee. However I am content that the House Service's structure meets the overall objective of separating policy and operations, and that the necessary element of non-executive challenge and scrutiny is available through the external members of the Board and the Audit Committee.

Work of the Management Board

The Board held 19 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 pages⁹.

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

⁸ The Commission publishes its own Annual Report under s. 1(3) of the House of Commons Administration Act 1978. <http://www.parliament.uk/business/committees/committees-a-z/other-committees/house-of-commons-commission/publications/>

⁹ <http://www.parliament.uk>

risks.¹⁰ 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 is reviewed by the Office of the Chief Executive. 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.

During the course of this year the Board introduced a series of quarterly performance and risk reviews to allow it to consider issues relating to those areas in more depth. The October meeting focused on the system of risk management and risks held at Board level. The January meeting focused on project and programme management; this meeting highlighted the need to enhance our project and programme management capacity and in particular to strengthen the role of Senior Responsible Owners (SROs). A number of initiatives have been put in hand to address this, including the creation of an SRO network.

Following an NAO facilitated review of its effectiveness in the previous financial year the Board held an away day in April 2013 to further consider the strengths and weaknesses identified by that review. This led to a number of changes in the Board's working practices with the objective of encouraging more open and frank discussions in meetings. In March 2014 Board Members were re-surveyed, and asked to assess effectiveness against the same areas probed in the original NAO review. The exercise identified progress in each of the areas covered, as well as highlighting where further work was desirable: this work will be taken forward in the current financial year.

Risk management

The risk management system is reviewed annually by Internal Audit. The most recent Internal Audit review (April 2014) reported an improvement in the level of assurance provided on the operation of the present risk management system and identified further work to be done to improve the system.

The Management Board considered the Board level risks at each of its regular monthly meetings, and the two quarterly performance reviews, in 2013-14. The first Quarterly Performance Review meeting, in October 2013, gave an opportunity for a more in-depth consideration of risk. The status and relevance of Board level 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 had access to information about risks managed at departmental level, which can be escalated to the Board for action as necessary, and is developing further work on the reporting of those risks through a unified risk platform.

¹⁰ A full list of KPIs and Board Level risks which applied in the year under review were published in the Board's Corporate Plan for 2013-14 <http://www.parliament.uk/mps-lords-and-offices/offices/commons/management-board/management-board-publications1/annual-business-plans/>

The Management Board also reviewed its high-level risks during the spring of 2014 to ensure the existing risks remained relevant in light of the new corporate business plan. They agreed that for 2014-15 the following key risks should continue to be managed and monitored at Board level:

Risk	Description
Relations with Member bodies (amended in January 2014)	Differing perspectives of the House Service and Member bodies: <ul style="list-style-type: none"> • The Commission; • The Speaker; • The Finance and Services Committee; and • The Administration Committee Will impact on the House Service's ability to achieve its strategic goals.
Relations with the House of Lords	The possibility that differing interests between the two Houses may limit the ability of the House of Commons Service to achieve its strategic goals.
Reputational issues	The House suffers a loss of reputation due to ineffective or inadequate actions by the House Service.
Capability and capacity	The House Service does not have the right capability or capacity (including effective prioritisation mechanisms) to deliver its strategic goals.
Staff morale	Low staff morale limits the ability of the House Service to: <ul style="list-style-type: none"> • deliver its day-to-day services; • achieve its strategic goals
Finance (amended in January 2014)	The ineffective prioritisation and management of financial resources and poor contract management will impact on the House Service's ability to achieve its strategic goals.

Review of effectiveness

The evidence base

I have obtained evidence of the organisation's effectiveness through a variety of means. The most important are: the annual letters of assurance from each Head of Department and PICT; separate letters of assurance on security (from the Parliamentary Security Director), 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 Director 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 and the Department of Finance. In addition, account has been taken of the monthly corporate performance and risk reports and the information gathered from detailed feedback interviews with both Members and Members' staff. This last source of information has replaced the previous annual survey of Members and has provided us with a much richer source of information which we are using to improve the services we offer.

Findings on effectiveness

The House Service has continued to improve the effectiveness of its governance arrangements. This section details the main developments in the design and operation of those arrangements including financial management, security and estates management. It also provides an update on areas highlighted in last year's statement, such as staffing issues, and raises General Election planning as a new area of activity that is sufficiently important to require separate comment.

Financial management

The Department of Finance has taken a number of actions over the course of the year to improve the financial management culture in the House Service. The new structure of the Department, including an improved finance business partnering model was implemented at the start of the 2013-14 financial year and has provided a more streamlined structure and greater clarity over the division of responsibilities between departments and the central finance function. This represents significant progress, but I want to see further improvements in the House's financial management capability, with greater financial discipline and awareness in staff working outside the Department of Finance.

The Savings Programme was formally closed this year with the House Service being on track to deliver the 17% reduction in expenditure required of it. This Programme was a remarkable success, made possible by the strong leadership from the Director of Finance and her team. Member Committees, notably the Finance and Services Committee, provided effective support and appropriate challenge and the staff involved in delivering the savings demonstrated commitment and innovation. I am particularly proud of the way the House Service has managed to use the Savings Programme to provide better and more effective services. The Management Board is keen to ensure that the momentum behind this work is not lost and a new Continuous Improvement approach is being developed, in partnership with the House of Lords Administration.

Both resource and capital expenditure in the year was below the voted Estimate, with capital expenditure being significantly below. In last year's Governance Statement I noted the need to improve the House's forecasting capacity and work in this area is continuing. There was a particular issue with capital forecasting in the financial year, with forecasted expenditure being significantly revised down during the year, leading to a significant underspend. In response to this a detailed review of capital forecasting was undertaken, which benefited from having Member input. This review has recently reported and its recommendations will be taken forward in the new financial year. An internal audit report also identified weaknesses in departments' compliance with monthly monitoring and forecasting processes and work is underway to review the information and training supplied to budget holders. The Department of Finance is actively working with departments to improve their performance.

During the course of the financial year responsibility for administering the House of Commons Pensions Scheme was transferred to MyCSP. This happened ahead of the merger of the House of Commons Pensions Scheme with the Principal Civil Service Pension Scheme (PCSPS) on 1 April 2014. The new provider inherited a backlog of work and outstanding data cleansing action from the previous provider. Progress addressing these issues has been slow, in part due to the systems interface used (see paragraph on HAIS). Once these issues have been addressed, MyCSP and the House intend to conduct a validation exercise with scheme members to ensure the data is accurate.

Work to develop a counter-fraud function has continued, including raising awareness and the development of risk registers.

Procurement and contract management

During this year the Clerk of the Parliaments and I decided to merge the separate Commons, Lords and PICT procurement and corporate services teams to create a single unified Parliamentary Procurement and Commercial Services (PPCS) which will serve all three organisations; the new service formally started operation on 1 April 2014. The unified service will increase the capacity and expertise of our procurement and contract management function as well as making it easier to identify and realise opportunities for savings through tendering for contracts that cover the Commons and the Lords. A number of exercises during the year identified gaps in the House's data on its contracts and work providing spending analysis for the Management Board was suspended due to problems with the underlying data. Work is underway to review the data, drawing on other data sources held by the House Service, and improve the quality of future data. The new unified structure should also provide increased capacity to address this issue. PPCS is also reviewing procurement compliance in a number of areas, including ICT, and intends to resolve any issues identified over the course of the coming financial year.

Following the introduction of new guidance on the tax arrangements of contractors, the House Service has worked to ensure that all its contractors agree to provide appropriate assurances about their tax affairs when requested, as a condition of taking up work for the House Service. We have also successfully encouraged all contractors to ensure that their staff who are based on the Parliamentary Estate are paid at least the London Living Wage. Further work is required this year to embed good contract management across all parts of the Service. Following a problem with the financial viability of one contractor, we will give additional training to contract managers to enable them to: identify critical suppliers; conduct financial health checks both prior to appointment and during a contract's duration, and take mitigating action if necessary.

House Administration Information System

Last year I reported the need to do further work to address problems that had been identified in the House Administration Information System (HAIS) – the House Service's finance, HR and payroll system. A number of these issues remain outstanding and have been raised with the supplier. In the meantime, we have undertaken manual work to ensure that the systems operate effectively but this is inevitably more resource intensive. A technical systems upgrade is now required and plans to achieve this are well advanced. The upgrade should help to address some of the legacy issues that remain.

Security

During the course of the year, the Parliamentary Security Director (PSD) has worked to ensure that the security of the Parliamentary Estate has continued to improve. There have been no significant breaches of physical security on the Parliamentary Estate and work is under way to prepare for the successor arrangement for Parliament's Special Services Agreement with the Metropolitan Police Service that comes to an end in 2015. 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 to provide clarity about the governance of different areas of security (physical, personnel and cyber), and a plan of work is being developed.

Information Security

As an information driven business, information security continues to be an important issue for the House Service. Increasing use of mobile technology and demands for remote working have created additional pressures and have limited the extent to which technical controls can be used to mitigate risks in a way which does not hamper the ability of staff and Members to perform their duties. This has in turn increased the need to implement an effective system of behavioural policies and controls. These have included: running training and awareness-raising events for staff; working to ensure that the benefits of the House's electronic document and records management system (SPIRE) are realised; engaging a qualified Accreditor to provide an independent assessment of the information security risk posed by new systems or services; compiling a comprehensive set of Registers of Sensitive Information Assets (RSIAs) for all departments; and holding a high level risk workshop with both Clerks and other senior managers to clarify both Houses' risk appetite in this area.

The greater use of cloud-based technologies and services is another additional pressure, but also a possible mitigation of some of the House's information security risks. Directly linked to this is the increased uses of personal devices to access the parliamentary network and parliamentary data. An acceptable usage policy for using non-PICT issued devices is in development and ahead of its introduction the Senior Information Risk Owners (SIROs) have placed a moratorium on additional non-House issued devices being added to the parliamentary network for use by staff of the Administration. However in the longer term the move to online storage of electronic data away from the physical network in Westminster should reduce the Houses risk by placing this data in a more secure location.

The House has a process for reporting incidents of equipment and information loss or misuse in place, although further efforts are needed to ensure that all staff are aware of this system and make use of it when appropriate. During 2013-14 no incidents involving personal data required the Information Commissioner's Office (ICO) to be informed.

Business resilience

Work continued to deliver the bicameral business resilience programme. The bicameral Incident Management Framework (IMF) was reviewed during the course of the year by the Business Resilience Group which led to the framework being substantially revised. The IMF has been successfully used during the year to manage a number of incidents and the lessons learned from these incidents have been used further to refine and develop the Framework. There were no major failures of our business resilience during the year. The Boards also agreed the provision of some additional resource to carry out work on relocation planning, which will be completed in the new financial year.

Last year I reported that a number of business continuity incidents had highlighted electrical resilience as a key issue for us. During this year technical resilience ratings have been undertaken on all key technical dependencies to ensure that all systems meet industry standards; in many cases we exceeded these standards. I also reported that we intended to seek external assurance on our business resilience processes. An external audit was undertaken by the BSI (British Standards Institution) in December 2013 which confirmed that our resilience arrangements generally conformed to the industry standard.

Estates issues

The Palace of Westminster is at the heart of the Westminster World Heritage Site and upkeep and maintenance of the building for future generations is one of our most important duties as stewards of this institution. I am also conscious in this context of my statutory responsibilities for compliance with fire safety and environmental regulations.

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 standard. 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, that the planned improvements are progressing, and with our commitment to achieve life safety standards in all occupied buildings by 31 December 2018. I am satisfied that adequate plans are in place to improve the situation within a reasonable timescale, through new fire safety training and awareness-raising activities with Members and staff.

We are compliant with all statutory requirements for environmental performance, apart from one area which is currently being addressed within a refurbishment programme. In the last year we made our water and waste generation targets more challenging, and although we are missing the new targets, our environmental performance has improved against our baseline year (2008-09) in all our target areas, and are continuing to implement efficiency measures to deliver the long term targets.

Last year I reported that a lack of staff in key posts in the Parliamentary Estates Directorate was one of the reasons for the capital underspend. I am pleased to be able to report that this has been largely overcome and this has resulted in considerable progress being made in project planning and delivery. However, as noted above, there are still issues about our capital forecasting capability that need to be addressed.

Work has continued on options to ensure the long-term future of the historic Palace of Westminster following the decision taken last year by the Commission and House of Lords House Committee that taking no action to restore the fabric of the Estate was not an option¹¹. An independent appraisal of all the viable options is underway which is being overseen by a programme board. No decision on which option to pursue is expected until after the 2015 General Election.

Health and Safety

A number of Heads of Departments raised concerns about the level of assurance they could provide me with in relation to the management of health and safety in their business area. While I am content that our health and safety policies are robust, and I am conscious of the very high level of importance

¹¹ <http://www.parliament.uk/documents/commons-commission/PED-Modernisation-Report-Oct12.pdf>

with which the issue is regarded by appropriate senior managers, there appears to be shortfalls in the way our policies are implemented. During this year there have been a number of incidents that have highlighted a weakness in the House's management of contractors with regards to health and safety. An action plan has been put in place to address these concerns and I expect to see swift progress.

Staffing issues

In the governance statement for the previous year I noted 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. In response to this a number of initiatives were launched and brought together as part of a People Strategy with the overall aim of maintaining and increasing our capability as a House Service, as well as setting out our long term vision for the kind of employer the House Service wants to be. The People Strategy was successful on a number of fronts and made a significant contribution to the House achieving its Investors in People reaccreditation. However, there is still more to do, notably in embedding the use of competencies throughout the organisation and ensuring that we have robust and effective HR processes and management information systems to support better people management.

Another staffing issue raised in the previous governance statement was the work being done by the HR Delivery Programme to tackle inequalities in pay and reward across the House Service, which were a legacy of the federal structure that existed before the changes implemented in response to the Tebbit Review (HC 193) in 2007. During the course of the year two pay offers were made to staff, the aims of which included tackling those inequalities. The second of these offers was accepted just before the end of the financial year. Having reached a pay settlement with staff, the House Service is now able to progress other HR work strands, including the introduction of competency-based pay which will be developed during 2014-15.

The review of the Respect policy, which is designed to ensure that any bullying or harassment of staff by Members is tackled quickly and effectively, continued during 2013-14 and a new draft policy was developed. Final agreement is now being sought from the responsible Member committees and it is intended that the revised policy should be operating early in the new financial year, subject to any decision required by the House.

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. We are now entering the third and final year of the current Scheme and I am keen that we build on the excellent work already done to be even more ambitious in the future.

General Election Planning

The General Election presents the House Service with a number of challenges but is also a wonderful opportunity to refresh and renew the services that we offer to Members. Preparations for the General Election and to provide a high quality induction to new Members are now well under way and are being overseen by the General Election Planning Group. We are currently in the process of recruiting additional resources in communication and project management to support this work. The plans have been informed by the information gathered through the Member feedback interview project and the report by the Administration Committee into the 2010 General Election arrangements.

House of Lords

As mentioned 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 and there were a number of excellent developments in the area of joint working, most notably the creation of a Parliamentary Procurement and Corporate Service team that will serve both Houses. We are keen to find further opportunities to provide services on a unified parliamentary basis in the future, where this will lead to greater efficiency without diminishing those services which are necessarily bespoke for each House.

Sir Robert Rogers KCB
Accounting Officer

10 July 2014

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 2014. 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 2014, 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 2014 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 and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- The Governance Statement does not reflect House of Commons application of best practice, including HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

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

Date: 11 July 2014

Statement of Parliamentary Supply

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

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

Summary of Resource and Capital Outturn 2013-14

	Estimate			Outturn			2013-14	2012-13
							Voted outturn compared with Estimate: saving/ (excess) ¹²	Outturn
	Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	£000	Total £000
Departmental Expenditure Limit equivalent								
- Resource	218,000	-	218,000	201,720	-	201,720	16,280	200,530
- Capital	32,800	-	32,800	24,401	-	24,401	8,399	17,255
Total	250,800	-	250,800	226,121	-	226,121	24,679	217,785

Net cash requirement 2013-14

Note	2013-14	Outturn	2013-14	2012-13
	Estimate		Outturn compared with Estimate: saving/ (excess) ¹¹	Outturn
	£000		£000	£000
SoPS 4	203,800	184,724	19,076	189,427

Administration Costs 2013-14

Note	2013-14	2013-14	2012-13
	Estimate	Outturn	Outturn
	£000	£000	£000
SoPS 3	218,000	196,720	200,528

¹² Explanations of variances between the Estimate and Outturn are given in the Management Commentary (Page 6).

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

SoPS 1. Financial policies adopted

SoPS 1.1 Accounting policies and conventions

These are in line with those used in the preparation of the Primary Financial Statements. Further details can be found at Note 1 (page 34).

SoPS 1.2 Budgeting policies

The budgeting policies adopted are consistent with the HM Treasury 2013-14 Consolidated Budgeting Guidance and Supply Estimate Guidance Manual where appropriate to the requirements of the House of Commons.

SoPS 2. Net outturn

SoPS 2.1 Analysis of net resource outturn

	Estimate			Outturn			2013-14	2012-13
	Gross	Income	Net	Gross	Income	Net	Variance net Outturn to Estimate	Outturn
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in DEL equivalent ¹³	230,000	(12,000)	218,000	214,816	(13,096)	201,720	16,280	200,530

SoPS 2.2 Analysis of net capital outturn

	Estimate			Outturn			2013-14	2012-13
	Gross	Income	Net	Gross	Income	Net	Variance net Outturn to Estimate	Outturn
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in DEL equivalent ¹³	32,800	-	32,800	29,559	(5,158)	24,401	8,399	17,255

¹³ DEL equivalent represents Departmental Expenditure Limit equivalent as defined in the Estimate (HC1079)

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

	Note	2013-14 £000 Outturn	2012-13 £000 Outturn
Total resource outturn in Statement of Parliamentary Supply	SoPS 2.1	201,720	200,530
Donations classified as capital income		(5,000)	(2)
Net Operating Cost in Statement of Comprehensive Net Expenditure		196,720	200,528

SoPS 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	SoPS 2.1	218,000	201,720	16,280
Capital Outturn	SoPS 2.2	32,800	24,401	8,399
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Non-cash items – other administration costs	6	(47,300)	(26,242)	(21,058)
Non-cash items – staff costs	4	(13,700)	(14,697)	997
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in inventories	14	-	40	(40)
Increase/(decrease) in receivables	16	-	1,053	(1,053)
(Increase)/decrease in payables		-	(8,044)	8,044
Use of provision ¹⁴	18	14,000	7,582	6,418
NBV of disposed capital assets	9	-	158	(158)
Capital element of payment in respect of on-balance sheet (SOFP) Service concession contracts	12.3	-	(1,247)	1,247
Net Cash Requirement		203,800	184,724	19,076

¹⁴ The total provision used in-year of £7,582,000 (2013-14) comprised the pension provision used £6,408,000 (benefits paid during the year of £12,306,000 less net transfers of £2,068,000 and employees' contributions of £3,830,000) and other provisions used £1,174,000.

Primary Financial Statements

Statement of Comprehensive Net Expenditure

For the Year ended to 31 March 2014

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

	<u>Note</u>	<u>2013-14</u> <u>£000</u>	<u>2012-13</u> <u>£000</u>
Administration Costs			
Staff Costs	4	90,956	84,660
Other costs	6	120,495	125,172
Grants paid	7	3,365	3,136
Income	8	(18,096)	(12,440)
Net Operating Cost for the year ended 31 March 2014		196,720	200,528
Total expenditure	4 - 7	214,816	212,968
Total income	8	(18,096)	(12,440)
Net Operating Cost for the year ended 31 March 2014		196,720	200,528

Other Comprehensive Net Expenditure

		<u>2013-14</u> <u>£000</u>	<u>2012-13</u> <u>£000</u>
Net (gain)/loss:			
-	revaluation of Property, Plant and Equipment	(18,543)	(19,124)
-	pension liabilities due to changes in actuarial assumptions	42,100	(38,900)
Total Comprehensive Expenditure for the year ended 31 March 2014		220,277	142,504

Statement of Financial Position**As at 31 March 2014**

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

		31 Mar 2014		31 Mar 2013	
	Note	£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	9	952,838		911,084	
Intangible assets	11	663		815	
Total non-current assets			953,501		911,899
Current assets:					
Inventories	14	555		515	
Trade and other receivables	16	15,818		14,765	
Cash and cash equivalents	15	13,026		4,020	
Total current assets			29,399		19,300
Total assets			982,900		931,199
Current liabilities					
Trade and other payables	17	(41,246)		(22,974)	
Total current liabilities			(41,246)		(22,974)
Total assets less current liabilities			941,654		908,225
Non-current liabilities					
Provisions	18	(532,143)		(463,276)	
Total non-current liabilities			(532,143)		(463,276)
Total Assets less liabilities			409,511		444,949
Taxpayers' equity and other reserves:					
General fund		215,275		266,233	
Revaluation reserve		190,743		175,248	
House of Commons Commission reserve	15	3,493		3,468	
Total equity			409,511		444,949

Sir Robert Rogers KCB**Accounting Officer****10 July 2014**

Statement of Cash Flows

For year ended 31 March 2014

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

	2013-14	2012-13
Note	£000	£000
Cash flows from operating activities		
Net operating cost	(196,720)	(200,528)
Adjustments for non-cash transactions	4, 6 40,939	38,891
(Increase)/Decrease in trade and other receivables	16 (1,053) ¹⁵	(3,260)
(Increase)/Decrease in inventories	14 (40) ¹⁶	4
Increase/(Decrease) in trade payables	17 18,272 ¹⁷	3,781
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	17 (10,228) ¹⁸	(358)
Use of provisions	18 (7,582)	(10,561)
Donated Asset	(5,000)	-
Net cash outflow from operating activities	(161,412)	(172,031)
Cash flows from investing activities		
Purchase of property, plant and equipment	9 (24,393)	(17,173)
Purchase of intangible assets	11 (166)	(263)
Proceeds of disposal of property, plant and equipment	-	40
Capital element of payment in respect of finance lease and on balance sheet (SOFP) Service concession contracts	1,247	-
Net cash outflow from investing activities	(23,312)	(17,396)
Cash flows from financing activities		
From the Consolidated Fund (Supply) – current year	193,705	189,785
Interest received on Commission Reserve Balance	25	63
Net financing	193,730	189,848
Net increase/(decrease) in cash and cash equivalents in the period before and after adjustment for receipts and payments to the Consolidated Fund	9,006	421
Cash and cash equivalents at the beginning of the period	4,020	3,599
Cash and cash equivalents at the end of the period	13,026	4,020

¹⁵ This reflects the increase in figure from £14,765,000 (2012-13) to £15,818,000 (2013-14).

¹⁶ This reflects the increase in figure from £515,000 (2012-13) to £555,000 (2013-14).

¹⁷ This reflects the increase in figure from £22,974,000 (2012-13) to £41,246,000 (2013-14).

¹⁸ This reflects the increase in figure from £552,000 (2012-13) to £10,780,000 (2013-14). The £10,780,000 equates to Supply unspent (£9,533,000) plus the finance lease element on SoFP (£1,247,000).

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2014

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

	General Fund	Revaluation Reserve	Commission Reserve	Total Reserves
Note	£000	£000	£000	£000
Balance at 31 March 2012	235,825	158,638	3,405	397,868
Net Parliamentary Funding – drawn down	189,785	-	-	189,785
Net Parliamentary Funding – deemed	194	-	-	194
Supply (payable)/receivable adjustment	17 (552)	-	-	(552)
Net Operating Cost	(200,528)	-	-	(200,528)
Non-Cash Adjustments				
Non-cash charges – auditor's remuneration	6 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
Net Parliamentary Funding – drawn down	193,705	-	-	193,705
Net Parliamentary Funding - deemed	17 552	-	-	552
Supply (payable)/receivable adjustment	17 (9,533)	-	-	(9,533)
Net Operating Cost	(196,720)	-	-	(196,720)
Non-Cash Adjustments				
Non-cash charges – auditor's remuneration	6 90	-	-	90
Movement in Reserves				
Additions	-	-	25	25
Recognised in Statement of Comprehensive Expenditure	(42,100)	18,543	-	(23,557)
Transfers between reserves	3,048	(3,048)	-	-
Balance at 31 March 2014	215,275	190,743	3,493	409,511

Notes to the Accounts

1. Accounting conventions

1.1 Accounting policies

These financial statements have been prepared in accordance with the 2013-14 *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.

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 2013-14).

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

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

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

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

(i) Freehold properties

Title to freehold land and buildings is held as follows:

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

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

(ii) Long leasehold

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

(iii) Investment properties

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

(iv) Plant and machinery

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

(v) Equipment

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

1.4 Donated assets

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

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

1.5 Heritage Assets

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

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

Each category of heritage asset held by the House of Commons, along with their applicable accounting policy is detailed below. Further information regarding asset management policies can be found in Note 10.

1.6 Antique furniture and Speaker's silver

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

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.

1.7 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, consequently a valuation exercise will not be undertaken until such time as the House determines that the benefits out-weigh the cost.

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 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.

1.8 Antiquarian books

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

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

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

1.9 The Speaker's state coach

The Speaker's state coach is a seventeenth century gilt wood and painted carriage 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 valued on cost benefit and practicality grounds. It is not therefore shown in the Statement of Financial Position.

1.10 Archives

(i) Broadcasting

The broadcasting archive consists of audio and video tape recordings of broadcast coverage from the Chambers in both Houses and also Committees selected by the broadcasters. Currently these are produced on Beta SX broadcast format tape media and 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.

(ii) Parliamentary

The Parliamentary Archives comprise several million documents that have been preserved at the Palace of Westminster from 1497 to date in a variety of formats from medieval vellum and parchment to 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.

1.11 Ceremonial items

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

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

1.12 Architectural salvage and estate archives

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

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

1.13 Depreciation

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

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

For accounting purposes the lives of the property, plant and equipment and intangible assets such as software licences are in the following ranges:

Property:	Years
Land	not applicable
Palace of Westminster	83
Freehold property (excluding Portcullis House)	22-40
Portcullis House	48
Leasehold property	17-35
Plant and equipment:	Years
Furniture - standard	10
Furniture - antique	400

Plant & machinery – catering	10-30
Plant & machinery - Great Clock mechanism	400
Other plant and machinery	4-5
Works of Art	400
Fixtures and fittings - standard	10
Fixtures and fittings - antique	400
Speaker's Silver	400
General office equipment	3-5
Computer file servers	5
Computer equipment (excluding file servers)	4-5
Broadcasting equipment	10
Telephone equipment	5
Intangible assets	5

1.14 Intangible assets

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

1.15 Current investments

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

1.16 Inventories

Inventories are valued as follows:

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

1.17 Research and development expenditure

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

1.18 Operating income

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.

1.19 Foreign exchange

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

1.20 Pensions

During the year past and present employees were covered by the provisions of the House of Commons Staff Pension Scheme (HOCSPS) which operated by analogy to the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes were generally unfunded but with some contribution by members towards the benefits accrued. 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 notional amounts calculated on an accruing basis. Further details of contributions and the movement on pension liabilities are provided at Note 18.1.

1.21 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.

1.22 Leases

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

1.23 Private Finance Initiative (PFI) transactions

During the year the House entered into a service concession agreement (see Note 12.3). This contract has been disclosed in accordance with the appropriate accounting standards (IFRIC 12: Service Concession Arrangements and IAS 17: Leases).

1.24 Provisions

The House of Commons makes provision for 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 2013-14.

1.25 Contingent liabilities

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

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

1.26 VAT and Corporation Tax

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

The House is not subject to Corporation Tax.

1.27 Third party assets

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

1.28 Impending application of newly issued accounting standards not yet effective

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

1.29 Segmental Reporting

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

1.30 House of Commons Commission Reserve

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

2. Statement of Operating Costs by Operating Segment

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

The work of each department is described briefly below.

Chamber and Committee Services (DCCS): provides secretariat, advice, procedural, reporting and other services that support the work of the Chamber and committees, and supports the House's international relations.

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

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

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

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

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

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

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

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

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

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

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

	2013-14									
	DCCS	DF	DFin	DHR&C	DIS	PICT	OCE/SPK & PSD	PP	CP	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Expenditure	46,193	66,680	3,380	8,144	20,992	19,431	24,796	5,104	20,096	214,816
Income	(384)	(9,128)	(3)	(288)	(8,160)	(1)	(132)	-	-	(18,096)
Net Expenditure	45,809	57,552	3,377	7,856	12,832	19,430	24,664	5,104	20,096	196,720
Total assets										982,900
Net assets										409,511
	2012-13									
	DCCS	DF	DFin	DHR&C	DIS	PICT	OCE/SPK & PSD	PP	CP	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£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

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

	2013-14	2012-13
	£000	£000
Total net expenditure per statement of comprehensive net expenditure by operating net segment	196,720	200,528
Net (gain)/loss on revaluation of Property, Plant and Equipment	(18,543)	(19,124)
Net (gain)/loss pension liabilities due to changes in actuarial assumptions	42,100	(38,900)
Total net expenditure per Statement of Comprehensive Net Expenditure	<u>220,277</u>	<u>142,504</u>

The revaluation of the Parliamentary Estate during the financial year resulted in a net gain of £27,857,000 reflecting an improvement in the property market and changes to the tender price index and location factor used for interim valuations. The net revaluation gain of £27,857,000 has been allocated between the Revaluation Reserve (£18,543,000) and the Statement of Comprehensive Net Expenditure (£9,314,000).

4. Staff numbers and related costs

Staff costs comprise:

	2013-14	2012-13
	£000	£000
Wages and salaries	63,894	59,730
Social security costs	5,335	5,007
Other pension costs (non-cash)	14,697	14,016
Contributions to stakeholder pensions	108	100
Sub Total	84,034	78,853
Inward secondments/agency staff	7,739	6,565
Sub Total	91,773	85,418
Less recoveries in respect of outward secondments	(817)	(758)
Total net costs	90,956	84,660

A new pay and reward package for the majority of House Service staff, Pay Bands A to E, was agreed towards the end of March 2014. The total consolidated value covering the years 2013-14 to 2015-16, including the 1% pay award already paid to staff in 2013, is on average is worth 10.4% cumulative over the three years. In addition, all Pay Band A to E staff in post on 31 March 2014 received a £2,500 non-consolidated payment to buy out certain existing terms and conditions. Where the £2,500 payment was less than 5% of salary the difference was paid as an additional non-consolidated payment. The cost of the Pay Band A to E award in 2013-14 was £5.1 million, of which the non-consolidated payment element comprised £3.7 million. Further details are provided in the Remuneration Report (see page 11). Discussions on pay adjustments for Senior Commons Staff and catering grades are continuing.

During 2013-14 most permanent staff were entitled to be members of the House of Commons Staff Pension Scheme (HoCSPS). It operated 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 at a rate determined by the Government Actuary's Department (GAD) is charged to the Statement of Comprehensive Net Expenditure in the annual accounts. For 2013-14 contributions of £14,697,000 (2012 -13: £14,016,000) were payable. 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 could opt to open a partnership pension account, a defined contribution pension scheme with an employer contribution. Employers' contributions of £107,779 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.

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. Further details of the pension arrangements and arising liabilities is provided at Note 18.1.

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:

	2013-14	2012-13 ¹⁹
Average number (<i>permanent staff</i>)	1,726	1,764
Average number (<i>agency staff</i>)	53	48

5. Compensation schemes – exit packages

Exit package cost	Number of redundancies		Number of other departures agreed	
	2013-14	2012-13	2013-14	2012-13
<£10,000	1	-	4	5
£10,000 - £25,000	1	-	25	15
£25,000 - £50,000	-	-	19	7
£50,000 - £100,000	-	-	2	5
£100,000 - £150,000	-	-	1	2
£150,000 - £200,000	-	-	-	1
Total number of exit packages by type	2	-	51	35
Total Resource cost (£)	18,921	-	1,373,235	1,324,367

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

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.

¹⁹ The figure for 2012-13 represents the position at 31 March 2013 rather than the average for the year as a whole.

6. Other Administration Costs

	Note	£000	2013-14	2012-13
			£000	£000
Rentals under operating leases				
Buildings rental		10,207		10,823
Other rental		373		462
Subtotal			10,580	11,285
Non-cash items				
Depreciation	9	15,338		15,062
Amortisation	11	318		361
(Profit)/loss on disposal of property, plant & equipment	9	158		139
Net (gain)/loss on revaluation of property, plant and equipment	3	(9,314)		(15,017)
Auditors' remuneration and expenses ²⁰		90		95
Interest cost	18.1 (vi)	18,800		22,800
Provision provided for in year	18.2	535		1,380
Borrowing Costs (Unwinding of discount) on provisions	18.2	317		55
Total non-cash items			26,242	24,875
Service charge element of Finance Lease		80		-
Interest on Finance Lease		24		-
Accommodation services		24,406		26,814
Security		24,346		24,750
Information		10,606		10,371
Computer maintenance		6,223		7,161
Finance and specialist services		4,004		3,794
Catering and other supplies		3,937		3,851
Communications		3,424		5,699
Other staff costs		2,792		2,463
Travel and subsistence		2,455		2,178
Broadcasting		831		903
Office supplies		545		1,028
			83,673	89,012
Grand Total			120,495	125,172

²⁰ Auditors have received no remuneration for non-audit work

7. Grants paid

	2013-14	2012-13
	£000	£000
Commonwealth Parliamentary Association (UK Branch)	1,179	922
History of Parliament Trust	1,062	1,061
Inter Parliamentary Union (British Group)	797	886
British Irish Parliamentary Assembly	117	72
British American Parliamentary Group	77	69
Association of Former Members of Parliament	6	6
Other parliamentary (various)	127	120
	3,365	3,136

8. Income

	2013-14	2012-13
	£000	£000
Receipts from sales	11,440	9,905
Rental receipts and associated charges	920	1,128
Other receipts	720	1,380
Fees on private bills	16	18
Grants	-	7
	13,096	12,338
Donated Asset	5,000	2
	18,096	12,440

9. Property, plant and equipment

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

²¹ The House of Commons agreed to take ownership responsibilities for Henry Moore's sculpture 'Knife Edge –Two Piece' (£5,000,000) at the request of Department for Culture Media and Sport.

²² Land and Buildings were valued in March 2014 by Marc Seabrook, FRICS of Valuation Office Agency.

	Land	Buildings	Dwellings	Heritage Assets	Furniture & Fittings	Plant and Machinery	Information Technology	Payments on Account & Assets under construction	Total
	£000		£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
As at 1 April 2012	110,328	1,282,565	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 ²³	-	-	-	2	-	-	-	-	2
Disposals	-	(219)	-	-	(313)	-	(9,922)	-	(10,454)
Reclassifications	-	(1,799) ²⁴	-	32	-	-	-	1,767	-
Revaluations ²⁵	32,594	7,644	773	-	-	-	-	-	41,011
At 31 March 2013	142,922	1,301,453	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	110,328	723,260	10,770	17,867	1,547	2,194	5,023	4,022	875,011
Carrying amount at 31 March 2013	142,922	723,037	11,351	17,923	1,448	2,074	5,447	6,882	911,084

²³ 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.

²⁴ 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.

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

Land and Buildings analysed by Net Book Value

Analysed by individual land, buildings and investment property

	31 March 2014			
	Land	Buildings	Investment	Total
	£000	£000	£000	£000
Palace of Westminster ²⁶	74,400	467,647	-	542,047
Portcullis House	37,072	194,569	-	231,641
Norman Shaw North	13,920	15,080	-	29,000
1 Parliament Street	10,363	13,737	-	24,100
Norman Shaw South	6,794	9,006	-	15,800
1 Derby Gate	6,226	8,253	-	14,479
1 Canon Row	5,520	5,980	-	11,500
Visitors Reception building	-	6,144	-	6,144
Improvements to leasehold buildings	-	5,310	-	5,310
3 Parliament Street	1,532	1,873	-	3,405
2 Parliament Street	1,500	1,500	-	3,000
4 Canon Row	1,225	1,130	-	2,355
2 Canon Row	928	1,039	-	1,967
102 Rochester Row	336	464	-	800
22 John Islip Street	395	242	-	637
Abingdon St Car Park	-	-	4,585	4,585
Units A, B & C Portcullis House	-	-	7,800	7,800
10 Bridge Street	-	-	3,000	3,000
11 Bridge Street	-	-	1,610	1,610
Net Book Value at 31 March 2014	160,211	731,974	16,995	909,180

	31 March 2013			
	Land	Buildings	Investment	Total
	£000	£000	£000	£000
Palace of Westminster ²⁷	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	712,725	16,140	877,310

²⁶ The total value of the Palace at 31 March 2014 was £903,411,000 (House of Commons' share £542,047,000)

²⁷ The total value of the Palace at 31 March 2013 was £866,260,000 (House of Commons' share £519,756,000)

10. Heritage assets

10.1 Antique furniture and Speaker's silver

The collection consists of:

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

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

The House's detailed management, preservation, disposal and access policy has been submitted to the Parliamentary Estates Board for approval. Subject to the approval of the House, the Head of Historic Collection (Furniture and Decorative Arts) in the Parliamentary Estates Directorate may dispose of items from the collection, although this will only happen in exceptional circumstances and will be in accordance to the Museum Association's disposal policy²⁸. The vast majority of items in the collection were acquired over forty years ago.

Note 9 includes the value of the Antique furniture (£13,716,730) plus Speaker's silver (£2,537,485).

10.2 Parliamentary Art Collection

The Collection has over 8,500 works of art, over 80% of which are on display throughout the buildings of the Parliamentary Estate at any one time. The earliest pieces date from the medieval age, with major holdings dating from the 18th, 19th and 20th centuries, and significant contemporary holdings also. Although historically this is a single collection of art for the Palace of Westminster, in 1992 the Parliamentary Art Collection was divided between the two Houses, with each House assuming ownership responsibilities for its share.

The collection comprises the following categories:

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

Title for Henry Moore's 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. During 2013-14, Christie's were commissioned to provide a valuation, subsequently £5.0 million has been included in these accounts. 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 9.

²⁸ <http://www.museumsassociation.org/collections/disposal-toolkit-and-training>

The Parliamentary Art Collection is managed by the Curator's Office, which 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/art.

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

The House's disposal policy for the Parliamentary Art Collection was approved during 2012-13.

10.3 Medals

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

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

10.4 Ceremonial items

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

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

11. 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 2013	391	1,590	1,981
Additions	6	160	166
Disposals	-	(164)	(164)
Reclassifications	(391)	391	-
At 31 March 2014	6	1,977	1,983
Amortisation			
At 1 April 2013	87	1,079	1,166
Charged in year	-	318	318
Disposals	-	(164)	(164)
Reclassifications	(87)	87	-
At 31 March 2014	-	1,320	1,320
Carrying amount at 31 March 2013	304	511	815
Carrying amount at 31 March 2014	6	657	663

	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	-	-	-
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

12. Capital and other commitments

12.1 Capital commitments

	<u>2013-14</u>	<u>2012-13</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.	12,421	14,907

12.2 Commitments under leases - Operating leases

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

	<u>2013-14</u>	<u>2012-13</u>
	<u>£000</u>	<u>£000</u>
Obligations under operating leases comprise:		
Buildings		
Not later than one year	10,452	10,343
Later than one year and not later than five years	41,808	41,373
Later than five years	35,489	45,509
Total	87,749	97,225
Other²⁹		
Not later than one year	172	138
Later than one year and not later than five years	1	145
Later than five years	-	-
Total	173	283

12.3 Commitments under PFI and other service concession arrangements

(i) On-balance sheet (SoFP)

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

²⁹ In accordance with International Accounting Standards, the House is required to disclose details of all lease arrangements. The House has an option agreement with CEVA Logistics Ltd, provider of services relating to the Off-Site Consolidation Centre that could result in the House funding the lease costs of the warehouse that is used, however this agreement can only be triggered by the House.

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

	<u>2013-14</u>	<u>2012-13</u>
	<u>£000</u>	<u>£000</u>
Rentals due within one year	342	-
Rentals due later than one year but not later than five years	1,055	-
Rentals due later than five years	-	-
	<u>1,397</u>	<u>-</u>
<i>Less: interest element</i>	<u>(150)</u>	<u>-</u>
<i>Present value of obligations</i>	<u>1,247</u>	<u>-</u>

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

	<u>2013-14</u>	<u>2012-13</u>
	<u>£000</u>	<u>£000</u>
Service charge due within one year	463	-
Service charge due later than one year but not later than five years	1,427	-
Service charge due later than five years	-	-
	<u>1,890</u>	<u>-</u>
Total	<u>1,890</u>	<u>-</u>

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

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of off-balance sheet (SoFP) PFI or other service concession transactions and the service element of on-balance sheet PFI or other service concession transactions was £80,000 (2012–13: nil).

13. 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.

13.1 Liquidity risk

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

13.2 Interest rate risk

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

13.3 Foreign currency risk

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

13.4 Fair values

Set out below is a comparison by category of book values and fair values of the House primary financial assets and liabilities as at 31 March 2014.

		Book Value	Fair Value
	Note	£000	£000
Primary financial instruments			
Financial assets			
Cash and cash equivalents	15	13,026	13,026
Trade and other receivables	16	6,855	6,855
Financial liabilities			
Trade and other payables	17	31,713	31,713
Early Departures	18.2	1,844	1,844

14. Inventories

	2013-14	2012-13
	£000	£000
Retail	330	133
Catering	123	277
Store equipment	90	93
Other	12	12
	555	515

15. Cash and cash equivalents

	<u>2013-14</u>	<u>2012-13</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April	4,020	3,599
Net change in cash and cash equivalent balances	9,006	421
Balance at 31 March	13,026	4,020
The following balances at 31 March were held at:		
Government Banking Service	9,206	351
Commercial banks and cash in hand	327	201
House of Commons Commission Reserve account	3,493	3,468
Balance at 31 March	13,026	4,020

16. Trade receivables, financial and other assets

	<u>2013-14</u>	<u>2012-13</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Trade receivables	5,608	6,013
Deposits and advances	519	523
VAT and other taxes	728	871
Prepayments and accrued income	8,901	7,298
	15,756	14,705
Amounts falling due after more than one year:		
Prepayments and accrued income	62	60
	15,818	14,765

17. Trade payables and other current liabilities

	2013-14	2012-13
	£000	£000
Amounts falling due within one year:		
Other taxation and social security	1,696	1,904
Trade payables	2,825	1,606
Other payables	3,885	2,802
Accruals and deferred income	22,060	16,110
Current part of imputed finance lease element of on-balance sheet (SoFP) service concession arrangements	1,247	-
	31,713	22,422
Amounts issued from the Consolidated Fund for supply but not spent at year end	9,533	552
	41,246	22,974

There are no amounts due to be paid after one year

18. Provisions for liabilities and charges**18.1 Pensions****(i) 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 was required during 2013-14 to mirror any future changes to the PCSPS that arose from the Independent Public Service Pensions Commission: Final Report (Hutton Report) published on 10 March 2011. Member pension contributions have been increased annually since 1 April 2012. For 2013-14 employee contributions, which are dependent on salary band, ranged from 1.5% to 8.25%.

The HoCSPS merged with the PCSPS on 1 April 2014. The historic pension liabilities will subsequently move from these accounts to a Cabinet Office account financed through the Central Government Main Supply Estimate with an accompanying cash transfer of around £430 million. Provision for this is included in the relevant 2014-15 Supply Estimates. From 2014-15 the employer's cost of providing benefits earned during the current year will be fixed in advance and shown as a cash payment to the PCSPS rather than notional pension contribution. The merger should therefore help to reduce the cost volatility that has previously arisen.

(ii) 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 defined contribution scheme (i.e. Partnership Pension Account).

Defined benefit scheme

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.

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.

In the Nuvos scheme a member builds up a pension based on the member's 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 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.

Defined contribution scheme

The pension benefits accrued in Partnership Pension Accounts will be dependent on the level of contributions made and the performance of the pension product chosen.

(iii) Pensions costs shown against the Administration Estimate

With the defined benefits 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 (£14.7 million) are shown in Note 4, while the cost of pension interest on the historic liabilities (£18.8 million) appears in Note 6 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. This position is supported by the pay settlement agreed in March 2014. Based on the financial and demographic assumptions applicable at the start of 2013-14 outlined below, the employer's contribution rate for the year ended 31 March 2014 was set at 24.8% of pensionable salary (24.8% in 2012-13).

With the defined contribution pension arrangement the employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a 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).

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.

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.

(iv) 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 2013-14 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.

Demographic assumptions

Demographic and other assumptions adopted to estimate future liabilities include mortality rates, withdrawals from service, 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 2014		As at 31 March 2013	
	Male (years)	Female (years)	Male (years)	Female (years)
Current pensioners	29.0	31.2	28.6	30.7
Future pensioners ³⁰	31.3	33.5	31.1	33.0

(b) Life expectancy of healthy pensioners at age 65

	As at 31 March 2014		As at 31 March 2013	
	Male (years)	Female (years)	Male (years)	Female (years)
Current pensioners	24.1	26.2	23.9	25.8
Future pensioners ²⁹	26.8	28.9	26.7	28.5

Financial assumptions

With the exception of the rate of earnings inflation, advised by the Government Actuary's Department on the basis of historic trends, the main financial assumptions adopted are in accordance with HM Treasury guidance (PES(2013)07) issued in December 2013.

	As at 31 March 2014	As at 31 March 2013
Rate of increase in salaries	4.5%	3.95%
Rate increase pensions	2.5%	1.7%
Rate used to discount scheme liabilities	4.35%	4.1%
Rate of return in excess of:		
- Pension increases (CPI)	1.8%	2.35%
- Earnings increases	(0.15%)	0.15%

In arriving at these assumptions an allowance has been made for the pension contribution increases outlined above, as well as agreed pay awards.

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:

	Impact on total liability £ million
Change of rate assumed:	
- 0.5% in earnings	16.0
- 0.5% in pensions in payment	37.0
Pensioner mortality:	26.0
- Increase 2 years	

³⁰ Illustrative life expectancies at ages 60 and 65 for future pensioners as at 31 March 2013, and 31 March 2014 are based upon members aged 40 at these dates.

(v) Membership data

The information which follows reflects the membership of the pension schemes at the time of the last full review by the Government Actuary's Department. Subsequent changes to membership are not deemed to have had a material impact on the scale of scheme liabilities.

Active Members as at 1st 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

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

(vi) 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 increased by £69.2 million, from £456 million to £525.2 million, at the 31 March 2014. These liabilities are expected to reduce in future years following the increase in member contributions from 1 April 2013.

	2013-14	2012-13
	£000	£000
Balance at 1 April	456,023 ³¹	468,095
Current service cost:		
- Employer's contribution ³²	14,697	14,016
- Employees' contribution ³³	3,830	2,730
Benefits paid during year	(12,306)	(12,616)
Transfers in <i>less</i> transfers out	2,068	(102)
Interest cost on liabilities ³⁴	18,800	22,800
Actuarial gains/(losses) ³⁵	42,100	(38,900)
Balance at 31 March	525,212	456,023

The main reason for the significant increase in liabilities is the decrease in the net discount rate from 2.35% to 1.8% per annum determined by HM Treasury in December 2013 (PES(2013)07).

(vii) Historical movements on actuarial gains and losses shows

	2013-14	2012-13	2011-12	2010-11	2009-10
	£000	£000	£000	£000	£000
Total Actuarial (Gain)/Loss					
Amount	42,100	(38,900)	13,300	(28,900)	115,400
As a percentage of the present value of the scheme liabilities at 31 March	8.0%	8.5%	2.8%	6.8%	24.5%

³¹ Figure provided in actuarial report reflects a rounded figure rather than closing position from previous year's accounts.

³² For 2013-14 the employer's contribution rate was 24.8% of pensionable pay (24.8% in 2012-13).

³³ Employee contributions were increased from 1 April 2013.

³⁴ This is based on the previous year's discount rate (4.1%) applied to the previous year's pension liability (£456 million) before other actuarial adjustments. Equivalent figures for 2012-13 were 4.85% applied to liabilities of £468.1 million

³⁵ The actuarial adjustment represents changes to financial assumptions (£47.2 million), experience gains and losses arising on pension liabilities (£1.1 million) and changes to mortality assumptions (£1.5 million) less changes to other demographic assumptions (£7.7 million)

18.2 Other provisions

	Early Departure Costs	Legal Claims & Other	Dilapidation Costs	Voluntary Exits	Total
	£000	£000	£000	£000	£000
Balance at 1 April 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
Provided in the year	111	31	26	484	652
Provisions not required written back	-	(1)	-	(116)	(117)
Provisions utilised in the year	(539)	(101)	-	(534)	(1,174)
Borrowing costs (unwinding of discounts)	317	-	-	-	317
Balance at 31 March 2014	1,844	31	4,572	484	6,931

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 1.8% 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 19.

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 2014-15 that were agreed in and relate to the 2013-14 Voluntary Exit Scheme.

19. Contingent liabilities

The House of Commons has the following contingent liabilities:

	1 April 2013	Increase in year	Obligation expired in year	31 March 2014
	£000	£000	£000	£000
Personal injuries claims	243	82	(243)	82
Works of Art on loan from various collections	2,612	647	(210)	3,049
Total	2,855	729	(453)	3,131

20. Losses and special payments

20.1 Losses Statement

	2013-14	2012-13
	£000	£000
Total – 25 cases (2012-13:100 cases)	10	141

Details of cases over £300,000

There were no cases over £300,000 in 2013-14 (2012-13: nil).

20.2 Special Payments

The House did not make any special payments that exceeded £300,000 in total.

21. Related-party transactions

As Members of Parliament, any related party transactions of Commission Members should be recorded in the Register of Members' Interests. Dame Janet Gaymer, one of the non-executive members of the Management Board, declared a related party transaction with the Speaker's Committee for IPSA where she acts as a Lay Member. Total income received by Dame Janet in 2013-14 was £2,343.

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

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

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

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

The House of Commons incurred expenditure of £36,037,000 (2012-13: £34,593,000) on behalf of the House of Lords during 2013-14. The balance as at 31 March 2014 relating to accommodation, works and other shared services owed to the House of Commons by the House of Lords was £3,509,000 (2012-13: £3,383,000).

The House of Lords incurred expenditure of £572,000 (2012-13: £431,000) on behalf of the House of Commons during 2012-13. The balance as at 31 March 2014 owed to the House of Lords by the House of Commons was £129,000 (2012-13: £30,000).

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 £152,000 on behalf of the BIPA in 2013-14. At the year end, the balance due from BIPA in respect of 2013-14 expenditure was £nil. Accommodation is also provided to the British American Parliamentary Group, Commonwealth Parliamentary Association (UK Branch) and the British Group of the Inter-Parliamentary Union.

22. 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:

	2013-14	2012-13
	£000	£000
Gratuities and service charges	41	54

23. Entities within the departmental boundary

The entities within the boundary during 2013-14 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.

24. 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.