

***The HOUSE of  
COMMONS:  
Members***

**Annual Accounts &  
Audit Committee Annual Report**

**2013-14**

***(for the year ended 31 March 2014)***

Presented to the House of Commons pursuant to section 6(4) of  
the Government Resources and Accounts Act 2000

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# House of Commons: Members

## Annual Accounts

**2013-14**

*(for the year ended 31 March 2014)*

## Foreword to the Accounts

As at 31 March 2014

### Scope of the Estimate

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Following the 2010 General Election responsibility for the administration of Members' salaries, expenses claims, travel and certain other costs were transferred to the Independent Parliamentary Standards Authority (IPSA) in accordance with the Parliamentary Standards Act 2009, as amended by the Constitutional Reform and Governance Act 2010. As such, the Members Estimate only provides for the Exchequer contribution towards the cost of pensions for Members of Parliament, to provide provision for accrued pension liabilities arising from the Parliamentary Contributory Pension Fund (PCPF), payroll costs of Members appointed to specific parliamentary duties, the provision of ICT equipment to Members, financial assistance to Opposition parties to support them in the discharge of their parliamentary or representative functions (Short Money), an Exchequer contribution to the Members' Fund, Members' stationery and postage costs, provision of training for Members and their staff, other general costs and non-cash items.

The Constitutional Reform and Governance Act 2010 provides for the Exchequer contribution to the PCPF to be transferred to IPSA at a future date. The cost of running House services and the Parliamentary Estate are borne on the House of Commons Administration Estimate.

### Strategic Report

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#### Oversight of the Estimate

All monies paid to Members of Parliament through the Estimate are governed by Resolutions of the House. Oversight of the Estimate is undertaken by the Members Estimate Committee (MEC), which has the same membership as the House of Commons Commission. The functions of the Committee are:

- to codify and keep under review the provisions of the Resolutions of the House relating to expenditure charged to the Members Estimate and to modify those provisions from time to time as the Committee may think necessary or desirable in the interests of clarity, consistency, accountability and effective administration, and conformity with current circumstances;
- to provide advice, when requested by the Speaker, on the application of those provisions in individual cases; and
- to carry out the responsibilities conferred on the Speaker by the Resolution of the House of 5 July 2001, in relation to directions as to the application of the provisions of that Resolution, and authorisation of expenditure not otherwise specified in the ambit of the Members Estimate.

The Committee is not empowered to create a new form of charge on the Estimate, or to increase any rate of charge or payment determined by Resolution of the House. A consolidated list of the Resolutions of the House relating to expenditure charged to the Estimate was published by the MEC on 10 April 2014 (HC1217).

Membership of the MEC throughout the year 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

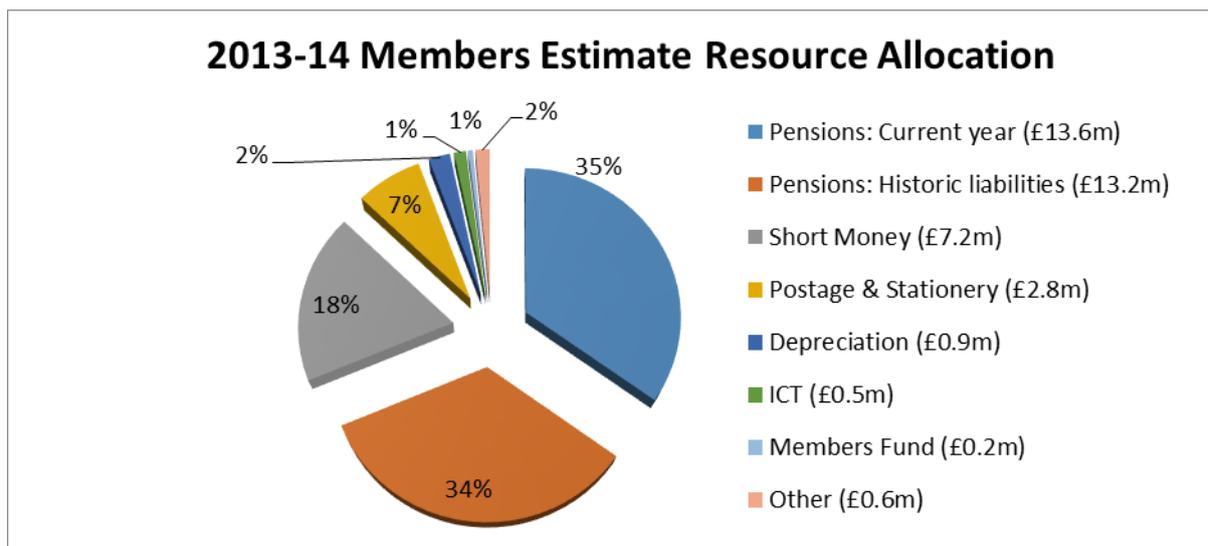
Sir Paul Beresford MP

Frank Doran MP

The Clerk of the House is the Accounting Officer for the Estimate. Although the House of Commons Management Board receives monthly updates on financial performance against the Members Estimate, it does not have any formal responsibility for the Estimate because the Board takes its authority from the House of Commons (Administration) Act 1978.

### **2013-14 Supply Estimate**

An Estimate consisting of £33.5 million resource and £0.1 million capital was agreed by the Members Estimate Committee and published as part of Central Government Supply Estimates 2013-14 (HC1074). This represented a reduction against the provision provided in 2012-13 (£32.2 million) if the additional £2.5 million provision to cover the transfer of Members' stationery and postage costs from the House of Commons Administration Estimate is excluded. The Members Estimate Committee subsequently agreed additional resources of £5.5 million following advice from the Government Actuary's Department (GAD) on accounting adjustments to be applied to the historic pension liabilities (£5.0 million) and an increase to manage additional postage costs and any unforeseen year end adjustments (£0.5 million). Revised expenditure limits of £39 million resource and £0.1 million capital were published as part of Central Government Supplementary Supply Estimates 2013-14 (HC1006).



### **Parliamentary Contributory Pension Fund**

The greater part of the resource provision (69%) was to cover PCPF pension scheme expenditure (£26.8 million), which included an Exchequer contribution towards benefits earned during the year (£13.6 million) together with a charge arising on the net pension liability (£13.2 million).

IPSA announced on 18 December 2013 (HC875) that following the 2015 General Election they will implement a new Members' pension scheme. Rules to accompany these new arrangements are expected to be laid before Parliament in the autumn 2014. They further announced a one-off uplift to £74,000 of a Member's annual salary from 1 April 2015, an increase of 9.26% on the existing level to address an historical shortfall, with Members' pay adjustments linked to average earnings thereafter. These pay arrangements involve other measures, including the replacement of 'resettlement payments' by more modest loss of office payments, to make the package of reform cost neutral overall.

**House of Commons Members' Fund**

The House of Commons Members' Fund (HCMF) provides for ex-Members and their dependants who find themselves in difficult circumstances. Such payments are made at the discretion of the Trustees. It also pays certain 'as of right' benefits for service as a Member prior to 1964. It is funded jointly by a grant from the Estimate and contributions from Members. It is administered by Trustees appointed by the House of Commons. The accounts of the Members' Fund are published separately and can be viewed on the parliamentary website (<http://www.parliament.uk/business/publications/commons/house-of-commons-members-fund/>).

The last full valuation of the Fund was as at 30 September 2011 (HC 878) when the Government Actuary assessed the value of the assets at £5.1 million. The total liability of the fund was £2.0 million, giving a surplus of £3.1 million. The Trustees have determined that actuarial reports will be commissioned every 5 years.

Despite general agreement since 2007 to restructure the legal position and return excess monies to the Consolidated Fund, it has not proved possible to secure parliamentary time for a standalone Bill. Attempts were made to incorporate the legislative changes required into a Government Bill, but the impact was to significantly lengthen bills which was deemed unacceptable. Following this, in November 2012, the Trustees unanimously decided to try to change the HCMF legislation via a private Members' Bill. The timetable and a planned course of action for the Bill was agreed with the first reading taking place on 17 December 2013. Unfortunately the second reading of the Bill on 24 January 2014, received an objection. As there was not enough time to pass the Bill before the end of the Parliamentary session, the Trustees decided to start the process again after the start of the next Parliamentary session in June 2014.

The Trustees have continued meanwhile to operate the Fund in line with the existing legislation while reducing the Exchequer contribution. From 1 October 2011 the draw down was restricted to the cost of the grants made from the Fund. This resulted in the funds drawn down being limited to £148,000 for each of the years commencing 1 October 2011 and 2012, and £140,000 for the year commencing 1 October 2013, rather than the £215,000 permitted by the legislation. The amounts shown in these accounts relate to the financial year rather than the year commencing 1 October.

**Short Money**

Financial assistance to Opposition parties (Short Money) is available to help Opposition parties to carry out their parliamentary or representative business. This was budgeted at £7.2 million which, together with the pension scheme costs made up 87% of the total funding made available through the Estimate.

**ICT equipment**

Members are entitled to five items of ICT equipment purchased from this Estimate for use in the performance of their parliamentary or representative duties. There was a major refresh of ICT equipment following the 2010 General Election. Since April 2012 Members have had the option of an iPad as one of the five pieces of equipment. Apart from some minor capital purchases only resource maintenance costs and depreciation charges arose during the year.

**Supply Estimate for 2014-15**

The Members Estimate Committee has agreed an Estimate (HC1233) for 2014-15 with a net resource requirement of £38.8 million and capital provision of £0.7 million.

**Management Commentary****Resources**

The Statement of Parliamentary Supply shows an outturn of £38.1 million against an Estimate of £39.0 million which represents an underspend of £0.9 million (2.3%). This was divided between the

underspend on the Departmental Expenditure Limit (DEL) of £0.2 million (0.6%) and the historic pension liabilities under the Annually Managed Expenditure Limit (AME) of £0.7 million (5.4%).

Allowance	Planned £000s	Outturn £000s	Variance £000s
PCPF: Exchequer contribution	13,600	13,596	4
Charge arising from movement on pension deficit	13,200	12,504	696
Short Money	7,177	7,172	5
Postage and stationery	2,850	2,820	30
ICT: Maintenance	500	296	204
Depreciation	900	902	(2)
Members Fund	200	144	56
Other	573	618	(45)
<b>Total</b>	<b>39,000</b>	<b>38,052</b>	<b>948</b>

Fluctuations against both the original financial assumptions, especially the discount rate derived from the current rate of return on AA rated corporate bonds, and demographic assumptions make it difficult to plan the resource requirements of the PCPF scheme ahead of the financial year end. As a consequence an AME underspend (£0.7 million) arose against the Estimate.

Payments received by Opposition parties through Short Money are fixed by Resolution of the House of Commons.

### Capital

An outturn of £73,000 arose against the Estimate provision of £100,000 giving rise to an underspend of £27,000 (27.0%). This small budget had been allocated for any additional equipment required following the refresh of ICT equipment to Members immediately after the 2010 General Election. In the event only a small amount of ICT equipment was purchased.

### Cash

A net cash outturn of £24.3 million arose against the Estimate of £24.9 million. This represents an underspend of £0.6 million (2.4%) which primarily reflects the lower than expected ICT maintenance (£0.2 million) and movements on monetary working capital (£0.4 million).

### Net assets

The Statement of Financial Position shows an overall negative balance which has reduced by £24.7 million (12.2%) from £202.2 million to £177.5 million. This position is a consequence of the PCPF pension liabilities but does not impact on the going concern position for the reasons given below. These liabilities will be redeemed through future pension payments so will not be fully utilised for many years.

During the year the net PCPF scheme liability position decreased by £26.1 million (12.9%) from £202.0 million to £175.9 million. This represents an increase of £36.3 million (7.5%) on the scheme assets from £484.2 million to £520.5 million, offset by an increase of £10.2 million (1.5%) on the scheme liabilities from £686.2 million to £696.4 million. The increase in trade payables and other current liabilities (Note 8) reflects an accrual for the transferred Members' stationery expenditure of £0.46 million.

Members ICT equipment is normally replaced at the time of a General Election so the equipment originally supplied in 2010 is now near the end of its economic life.

**Auditors**

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The audit of these accounts is undertaken by the Comptroller and Auditor General.

As Accounting Officer I am not aware of any 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.

**Going concern**

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Although the Statement of Financial Position at 31 March 2014 shows negative Taxpayers' Equity of £177.5 million this mainly reflects the inclusion of pension liabilities falling due in future years, which are to be financed by drawings from the UK Consolidated Fund. Such drawings will be provided through Supply approved annually by Parliament to meet the House of Commons Members Estimate net cash requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that need.

The future financing of the liabilities recorded in the Statement of Financial Position will therefore have to be met by future grants of Supply approved annually by Parliament. Approval for those amounts required in 2014-15 has already been given. It is therefore appropriate to adopt a going concern basis for the preparation of the 2013-14 financial statements.

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

## Statement of Accounting Officer's Responsibilities

Although the Members Estimate is laid by a Government Minister as part of the main Supply Estimates, the accountability arrangements rest with the House of Commons and are approved by the Speaker. The Speaker has appointed the Clerk of the House as Accounting Officer for these accounts.

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

The Accounting Officer is responsible for the House of Commons financial reporting arrangements. He should ensure that the annual accounts:

- observe the relevant accounting and disclosure requirements, and apply suitable applicable 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; and
- have been prepared on a going concern basis.

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

## Annual Governance Statement

### Governance framework

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The governance structure of the House of Commons Members Estimate differs from that of most other public sector Estimates in that it is laid by the Government, but thereafter the governance and accountability are entirely within the House, which is constitutionally separate from the Government of the day.

Two Estimates cover the direct expenditure of the House of Commons: the Administration Estimate and the Members Estimate. The Administration Estimate covers the administrative costs of running the House of Commons as an institution, meeting staff costs of the House Service, the maintenance costs of the Estate, the running costs of the Chamber and associated activities, and travel costs of Members and officers undertaking parliamentary business such as select committee work.

The focus of the Members Estimate is mainly on Members of Parliament as individual elected representatives. Following the establishment of the Independent Parliamentary Standards Authority (IPSA) in May 2010, the Members Estimate has been restricted to covering expenditure on pension contributions to the Parliamentary Contributory Pension Fund (PCPF), ICT equipment provided to assist Members in their duties, Members' pre-paid envelopes and stationery, financial assistance to the Opposition parties, an Exchequer contribution to the Members' Fund, the costs of insurance and training, and other associated costs and non-cash items.

The Members Estimate Committee (MEC) was established by a Standing Order of the House in 2004 to have responsibility for oversight of the system of Members' expenses. The MEC is responsible for agreeing the Members Estimate (and any Supplementary Estimates) each year, on the basis of advice from the Finance and Services Committee. Membership of the MEC is the same as that of the House of Commons Commission who have responsibility for the Administration Estimate. As Clerk of the House, and in my role as Accounting Officer and Chief Executive of the House Service, I have responsibility for ensuring that the Resolutions of the House and directions from the MEC are properly put into effect.

Together with the MEC, I am supported in this role by the Members Estimate Audit Committee (MEAC). Membership of the Committee is the same as that of the Administration Estimate Audit Committee and includes Members of Parliament, non-executive Management Board members and an external expert. The Chair is currently one of the non-executive external members of the Management Board.

The cost of administering the Members Estimate expenditure falls to the House of Commons Administration Estimate. These aspects are governed by both a delegation from the House of Commons Commission to the Management Board, and the Parliament (Joint Departments) Act 2007 in respect of PICT. A detailed account of the governance of the House of Commons Administration, the work of the Management Board of the House Administration and the operation of the system of risk management is given in the annual governance statement that accompanies the Administration Estimate Accounts.<sup>1</sup>

### Responsibilities attached to specific areas of expenditure

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#### *Parliamentary Contributory Pension Fund (PCPF)*

On 24 October 2011 the power to establish a scheme making provision for pensions of Members of Parliament and certain office holders under the Constitutional Reform and Governance Act 2010 passed to IPSA by Order of the House of Commons. On the same date, responsibility for

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<sup>1</sup> <http://www.parliament.uk/business/publications/commons/resource-accounts/>

the oversight of Ministerial pensions within the PCPF, paid under the Ministerial and Other Salaries Act 1975, was transferred to the Minister for the Civil Service (MCS). The Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 as amended up to 23 October 2011 have been reconstituted as the initial member pension scheme rules. These will apply, subject to any further amendment, until such time as new schemes for Members of Parliament and Ministerial pensions are created. Both IPSA and the MCS consulted on new schemes prior to revised pay and pension arrangements being proposed by IPSA in December 2013 (HC875). The intention is for these changes to take place from 2015-16.

The enactment of the Constitutional Reform and Governance Act 2010 also affected the structure of the PCPF Trustee Board. Incumbent trustees have been reduced from ten to eight, with the remaining trustees being reconstituted as the first Member-nominated trustees. A trustee representing IPSA, together with another representing the Minister for the Civil Service, have been appointed. The reconstituted PCPF Trustee Board continue to manage the administration of the fund. The Secretariat that assists them in this role continues to be drawn from House of Commons staff employed within the Department of Finance. The PCPF reimburses the House Administration for all staff costs associated with these Secretariat duties.

At present funding of the Exchequer contribution towards current service costs and accounting for the historic liabilities remain with the House of Commons Members Estimate. As 69% of the Members Estimate covers PCPF related expenditure further consideration has been given to the management of these accounting arrangements: the pension scheme assets are managed by the PCPF trustees and accounted for separately in the PCPF Accounts, while the scheme liabilities are reported in the House of Commons Members Accounts. This situation will be kept under review.

#### ***House of Commons Members' Fund***

This Fund was established by the House of Commons Members' Fund Act 1939 as amended by subsequent Acts between 1948 and 1991. Responsibility for managing the Fund rests with an independent body of Managing Trustees although the Secretariat which supports them is drawn from the House of Commons Department of Finance.

Work continued during the year to find a suitable legislative vehicle to restructure the Funds' governing legislation. Unfortunately this was not achieved, but the Trustees have since 2011 reduced the Exchequer draw down to limit growth in the surplus monies held by the Fund.

#### ***Short Money***

The controls for financial assistance to Opposition parties (Short Money) which accounts for around 18% of the Members Estimate differs from other expenditure in that the money provided is used for party political purposes in connection with Parliament and on representative work, but cannot be used for party political campaigning. The use of the money is validated by CCAB-qualified external auditors. Parties in receipt of financial assistance are required to submit audit certificates at the end of each financial year. These are statements from the external auditors certifying that the money paid to the party has been expended exclusively on parliamentary or representative business.

#### ***ICT equipment***

The provision and maintenance of equipment and the supporting infrastructure is undertaken by PICT. During the year greater use was made of iPads while the existing equipment, most of which was provided immediately after the 2010 General Election, continued to diminish in economic value. As most equipment is expected to be at the end of its useful life by the time of the next General Election, plans are in hand to replace it then.

**Review of effectiveness**

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***(i) The evidence base***

I have obtained evidence of the organisation's effectiveness, as it relates to expenditure covered by the Members Estimate, through a variety of means. The most important are: the annual letter of assurance from the Head of the Department of Finance; the Director of Internal Audit's annual report and opinion; advice and reports from the Members Estimate Audit Committee; and external audit undertaken by the National Audit Office.

***(ii) Findings on effectiveness***

The Department of Finance has taken a number of actions during the year to improve the effectiveness of both financial and procurement management. Most of this activity is focused on the Administration rather than Members Estimate. Further details can be found in the House of Commons Administration Annual Accounts.

**Conclusion**

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I believe that adequate controls have been maintained for expenditure incurred through the Members Estimate, although the majority of funding has governance arrangements outside my own area of responsibility. The adequacy of controls on the Member Estimate will continue to be reviewed and if necessary further refined to ensure transactions are properly controlled and risks managed.

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

## Independent Auditor's Report to the Members of the House of Commons

I have audited the financial statements of the House of Commons: Members for the year ended 31 March 2014. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### Respective responsibilities of the Accounting Officer and Auditor

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As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the House 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. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on Regularity

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In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 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**

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In my opinion:

- the financial statements give a true and fair view of the state of the affairs of the House of Commons: Members 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**

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In my opinion the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect House of Commons' application of best practice, including HM Treasury's guidance.

**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 financial statements the House of Commons Financial Reporting Manual (FReM) requires the House to prepare an additional primary statement, the *Statement of Parliamentary Supply* with supporting Notes, to show outturn against the Supply Estimate in terms of the net resource, net capital and the net cash requirement. It further compares the outturn performance against the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME) expenditure control limits set by the Estimate. The areas outlined in bold show voted totals or other totals subject to Parliamentary control. All expenditure is classified as Programme expenditure.

### Summary of Resource Outturn and Capital Outturn 2013-14

	Estimate			Outturn			2013-14 Voted Outturn compared with Estimate <sup>2</sup>	2012-13 Outturn
	Voted	Non-Voted	Total	Voted	Non-Voted	Total		
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Departmental Expenditure Limit</b>								
-Resource	<b>25,777</b>	-	25,777	<b>25,623</b>	-	25,623	154	22,616
-Capital	<b>100</b>	-	100	<b>73</b>	-	73	27	43
<b>Annually Managed Expenditure</b>								
-Resource	<b>13,223</b>	-	13,223	<b>12,504</b>	-	12,504	719	7,193
<b>Total</b>	<b>39,100</b>	-	<b>39,100</b>	<b>38,200</b>	-	38,200	900	<b>29,852</b>
Total Resource	39,000	-	39,000	38,127	-	38,127	873	29,809
Total Capital	100	-	100	73	-	73	27	43
<b>Total</b>	<b>39,100</b>	-	<b>39,100</b>	<b>38,200</b>	-	38,200	<b>900</b>	<b>29,852</b>

### Net Cash Requirement 2013-14

	2013-14		2012-13
	Estimate	Outturn	Outturn compared with Estimate: saving/(excess) <sup>1</sup>
	£000	£000	£000
	<b>24,917</b>	<b>24,290</b>	627
			21,808

<sup>2</sup> An explanation of the variances is provided in the Management Commentary in the Foreword.

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

### SoPS1 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 in Note 1 (see page 24).

#### 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.

### SoPS2 Net outturn

#### SoPS 2.1 Analysis of net programme resource outturn

	Estimate			Outturn			2013-14	2012-13
	Gross	Income	Net	Gross	Income	Net	Net Total compared to Estimate	Total
	£000	£000	£000	£000	£000	£000		
<b>Departmental Expenditure Limit</b>								
Members' pensions and other costs	25,777	-	25,777	25,623	-	25,623	154	22,616
<b>Annually Managed Expenditure</b>								
Provisions	13,223	-	13,223	12,504	-	12,504	719	7,193
<b>Total</b>	<b>39,000</b>	<b>-</b>	<b>39,000</b>	<b>38,127</b>	<b>-</b>	<b>38,127</b>	<b>873</b>	<b>29,809</b>

#### SoPS 2.2 Analysis of net capital outturn

	Estimate			Outturn			2013-14	2012-13
	Gross	Income	Net	Gross	Income	Net	Net Total compared to Estimate	Total
	£000	£000	£000	£000	£000	£000		
<b>Departmental Expenditure Limit</b>								
Members' related expenditure	100	-	100	84	(11)	73	27	43
<b>Total</b>	<b>100</b>	<b>-</b>	<b>100</b>	<b>84</b>	<b>(11)</b>	<b>73</b>	<b>27</b>	<b>43</b>

There are no virements within the Members Estimate.

### SoPS3 Reconciliation of resource outturn to net operating cost

	2013-14	2012-13
	£000	£000
	Outturn	Outturn
Total Resource Outturn in Statement of Parliamentary Supply	38,127	29,809
Non – Supply income	-	-
Net Operating costs in Statement of Comprehensive Net Expenditure	38,127	29,809

### SoPS4 Reconciliation of net resource outturn to net cash requirement

	Note	Estimate	Outturn	Net Total outturn compared with Estimate saving/(excess)
		£000	£000	£000
Resource outturn		39,000	38,127	873
Capital outturn		100	73	27
<b>Accruals to Cash adjustments:</b>				
Depreciation	3	(900)	(902)	2
Adjustments to previous provision	3, 9.6(iv)	(13,223)	(12,504)	(719)
Other non-cash items	3	(60)	(51)	(9)
<b>Adjustments to reflect movements in working balances:</b>				
Increase/(decrease) in trade receivables	7	-	(1)	1
(Increase)/decrease in payables	8	-	(463)	463
NBV of disposed capital assets		-	11	(11)
<b>Net Cash requirement</b>		<b>24,917</b>	<b>24,290</b>	<b>627</b>

**SoPS5 Analysis of income payable to the Consolidated Fund**

The following income relates to the House and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Outturn 2013-14		Outturn 2012-13	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
	<b>£000</b>	<i>£000</i>	<b>£000</b>	<i>£000</i>
Non-operating income and receipts	(3)	(3)	(30)	(30)
Total income payable to the Consolidated Fund	<b>(3)</b>	<i>(3)</i>	<b>(30)</b>	<i>(30)</i>

The non-operating receipts include recoveries from former Members on Additional Cost Allowances payments. Consolidated Fund income is not accounted for through the Statement of Comprehensive Net Expenditure.

## Primary Financial Statements

### Statement of Comprehensive Net Expenditure

For the Year ended 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

	Note	2013-14 £000	2012-13 £000
<b>Programme Costs</b>			
Members' costs	2	129	160
Members' pensions: Exchequer contribution	2, 9.3(b)	13,596	13,607
Interest cost	9.6(iv)	12,504	7,193
Members' stationery and postage	3	2,820	-
Grants	3	7,356	7,124
Other costs	3	1,722	1,725
<b>Net Operating Costs for the year ended 31 March 2014</b>		<b>38,127</b>	<b>29,809</b>
<b>Other Comprehensive Net Expenditure</b>			
Net (gain)/loss:			
Pension liabilities due to changes in actuarial assumptions	9.6(iii)	(38,500)	8,300
<b>Total Comprehensive Expenditure for the year ended 31 March 2014</b>		<b>(373)</b>	<b>38,109</b>

## Statement of Financial Position

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
<b>Non-current assets:</b>					
Property, plant and equipment	4	310		1,139	
<b>Total non-current assets</b>			<b>310</b>		<b>1,139</b>
<b>Current assets:</b>					
Trade and other receivables	7	98		99	
Cash and cash equivalents	6	130		33	
<b>Total current assets</b>			<b>228</b>		<b>132</b>
<b>Total assets</b>			<b>538</b>		<b>1,271</b>
<b>Current liabilities</b>					
Trade and other payables	8	(2,031)		(1,471)	
<b>Total current liabilities</b>			<b>(2,031)</b>		<b>(1,471)</b>
<b>Total assets less current liabilities</b>			<b>(1,493)</b>		<b>(200)</b>
<b>Non-current liabilities</b>					
Provisions	9.6(iii)	(175,958)		(201,954)	
<b>Total non-current liabilities</b>			<b>(175,958)</b>		<b>(201,954)</b>
<b>Total Assets less liabilities</b>			<b>(177,451)</b>		<b>(202,154)</b>
<b>Taxpayers' equity and other reserves:</b>					
General fund		(177,451)		(202,154)	
<b>Total equity</b>			<b>(177,451)</b>		<b>(202,154)</b>

**Sir Robert Rogers KCB**

**Accounting Officer**

10 July 2014

## Statement of Cash Flows

For the 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, including borrowing.

		2013-14	2012-13
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net operating cost		(38,127)	(29,809)
Adjustments for non-cash transactions	3	13,457	8,146
(Increase)/Decrease in trade and other receivables	7	1	52
Less movements in receivables relating to items not passing through the SCNE		-	(58)
Increase/(Decrease) in trade payables	8	560	(142)
<i>Less movements in payables not passing through the SCNE</i>		(97)	54
<b>Net cash outflow from operating activities</b>		<b>(24,206)</b>	<b>(21,757)</b>
<b>Cash flows from investing activities</b>			
Purchase of equipment	4	(84)	(51)
Proceeds of disposal of equipment		-	-
<b>Net cash outflow from investing activities</b>		<b>(84)</b>	<b>(51)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		24,414	21,811
From Consolidated Fund (Supply) – prior year		-	66
<b>Net Financing</b>		<b>24,414</b>	<b>21,877</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>124</b>	<b>69</b>
Receipts due to the Consolidated Fund	6	3	30
Payments of amounts due to the Consolidated Fund	6	(30)	(87)
		<b>(27)</b>	<b>(57)</b>
<b>Net increase/(decrease) in cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>97</b>	<b>12</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>33</b>	<b>21</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>130</b>	<b>33</b>

## 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.

	<u>Note</u>	<u>General Fund</u> <u>£000</u>
<b>Balance at 31 March 2012</b>		<b>(185,898)</b>
Net Parliamentary Funding – drawn down		21,811
Net Parliamentary Funding – deemed		-
Supply (payable)/receivable adjustment	6	(3)
Net Operating Cost		(29,809)
<b>Non-Cash Adjustments</b>		
Non-cash charges – auditor's remuneration	3	45
<b>Movement in Reserves</b>		
Recognised in Statement of Comprehensive Net Expenditure		(8,300)
<b>Balance at 31 March 2013</b>		<b>(202,154)</b>
Net Parliamentary Funding – drawn down		24,414
Net Parliamentary Funding - deemed		3
Supply (payable)/receivable adjustment	6	(127)
Net Operating Cost		(38,127)
<b>Non-Cash Adjustments</b>		
Non-cash charges – auditor's remuneration	3	40
<b>Movement in Reserves</b>		
Recognised in Statement of Comprehensive Net Expenditure		38,500
<b>Balance at 31 March 2014</b>		<b>(177,451)</b>

## Notes to the Accounts

### 1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2013-14 *House of Commons Financial Reporting Manual* (FReM) which applies International Financial Reporting Standards (IFRS) as adapted or interpreted for the House of Commons context. Where the FReM permits a choice of accounting policy then 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.

#### 1.1 Accounting convention

These accounts have been prepared under the historic cost convention rather than modified historic cost convention (MHCA) used to reflect assets at current values. This policy has been adopted given the asset values mainly comprise ICT equipment which has a short life and low value.

#### 1.2 Administration and Programme expenditure

All costs incurred on the Members Estimate are treated as programme expenditure. The cost of administering the Members Estimate has been charged against the House of Commons Administration Estimate.

#### 1.3 Operating Income

No operating income is anticipated or collected under the Estimate. Any cash receipts representing repayment of debts arising from previous financial years, or receipts of insurance payments for lost or damaged IT equipment, are surrendered to the Consolidated Fund.

#### 1.4 Members' ICT equipment

Members are provided with ICT equipment to carry out their Parliamentary and representative duties. All ICT equipment that is attributable to specific workstations are grouped and capitalised. Depreciation is charged on a straight line basis and is calculated at rates sufficient to write off the value of tangible fixed assets by equal instalments over their estimated useful lives. For accounting purposes the useful economic life of computer equipment is deemed to be 4 years, although iPads are deemed to have a shorter deemed life of 2 years.

#### 1.5 Members' pensions

The Parliamentary Contributory Pension Fund (PCPF) is a funded pension scheme which generates a significant liability on the Statement of Financial Position. Contribution rates are reviewed periodically in conjunction with the returns on assets held by the pension scheme. This has previously led to contribution rate adjustments to address the level of pension scheme liabilities. Further details of the methodology adopted for valuing pension scheme assets and liabilities can be found at Note 9.

#### 1.6 Grants payable

These include financial assistance provided to Opposition parties and an Exchequer contribution to the Members' Fund. All payments are made in accordance with Resolutions of the House of Commons.

#### 1.7 Value Added Tax (VAT)

This account is outside the scope of VAT. Output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

#### 1.8 Going concern

Although the closing balance on the General Fund is negative and is likely to remain so in future years, the Members Estimate is expected to continue to receive annual funds voted by Parliament.

**1.9 Impending application of newly issued accounting standards not yet effective**

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

**2. Members' costs**

	Note	2013-14 £000	2012-13 £000
Members' salaries		119	114
Resettlement Grant <sup>3</sup>		-	37
Social security costs		10	9
		129	160
Other pension costs	9.3(b)	13,596	13,607
<b>Total net costs</b>		<b>13,725</b>	<b>13,767</b>

During 2013-14 a Member's salary of £66,396 was set and paid by IPSA. This will be increased by 1% to £67,060 in 2014-15. IPSA announced changes to Members' pay and pensions in December 2013 (HC875) which included a one-off uplift of the annual salary to £74,000 from 1 April 2015, an increase of 9.26% to address an historic shortfall, with Members' pay linked to average earnings thereafter. The cumulative effect of these changes will be cost neutral after taking account of other elements of the pay and pensions package, including the replacement of 'resettlement payments' with modest out-of-office payments for Members who give up or lose their seat.

Additional salaries for the Chairman of Ways and Means (£41,370) and the two Deputy Chairmen of Ways and Means (£36,360 each) are paid from the Members Estimate rather than by IPSA. A further £5,000 lump sum payment is included in the total shown. The Speaker also receives an additional salary which is paid directly by the Cabinet Office.

<sup>3</sup> A delayed Resettlement Grant payment arising from the 2010-11 General Election.

**3. Other costs**

	Note	2013-14		2012-13	
		£000	£000	£000	£000
<b>Cash Items</b>					
Members' stationery & postage <sup>4</sup>		2,820		-	
ICT related <sup>5</sup>		296		309	
Training		225		206	
Central management		147		154	
Insurance		101		103	
			<b>3,589</b>		<b>772</b>
Grants to other bodies					
Financial assistance to Opposition parties		7,172		6,936	
Members' Fund		144		148	
Other		40		40	
<b>Subtotal</b>			<b>7,356</b>		<b>7,124</b>
<b>Non-cash items</b>					
Depreciation of fixed assets:					
Members ICT equipment	4	902		907	
(Gain)/Loss on disposal of fixed assets		11		1	
Pension liability provision	9.6(iv)	12,504		7,193	
Audit fee <sup>5</sup>		40		45	
<b>Subtotal</b>			<b>13,457</b>		<b>8,146</b>
<b>Grand Total</b>			<b>24,402</b>		<b>16,042</b>

<sup>4</sup> Members' stationery and postage was transferred from the House of Commons Administration Estimate on 1 April 2013. The total shown is comprised £2,363,960 postage and £456,409 office supplies.

<sup>5</sup> Existing ICT equipment will be collected in from Members and new equipment supplied after the 2015 General Election.

<sup>5</sup> No remuneration was paid to auditors for non-audit work.

#### 4. Members ICT equipment

	2013-14	2012-13
	£000	£000
<b>Cost or valuation</b>		
<b>At 1 April</b>	3,669	3,651
Additions	84	51
Disposals	(59)	(33)
<b>At 31 March</b>	<b>3,694</b>	<b>3,669</b>
<b>Depreciation</b>		
<b>At 1 April</b>	2,530	1,647
Charge in year	902	907
Disposals	(48)	(24)
<b>At 31 March</b>	<b>3,384</b>	<b>2,530</b>
<b>Carrying amount at 31 March</b>	<b>310</b>	<b>1,139</b>

#### 5. Financial Instruments

As the cash requirements are met through the Estimate process, financial instruments play a more limited role in creating 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 limited credit, liquidity or market risk. The pension fund (PCPF) assets and liabilities are managed independently by the PCPF trustees.

#### 6. Cash and cash equivalents

	2013-14	2012-13
	£000	£000
Balance at 1 April	33	21
Net change in cash and cash equivalents	97	12
<b>Balance at 31 March</b>	<b>130</b>	<b>33</b>
The following balances at 31 March were held at:		
Office of HM Paymaster General	130	33
<b>Balance at 31 March</b>	<b>130</b>	<b>33</b>
Amounts issued from the Consolidated Fund but not spent at year end	127	3
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	3	30
	<b>130</b>	<b>33</b>

**7. Trade receivables, financial and other assets**

	As at 31 March 2014	As at 31 March 2013
	£000	£000
<b>Amounts falling due within one year:</b>		
Members <sup>6</sup>	8	9
Prepayments	73	66
Other receivables	17	24
Provision for doubtful debt	-	-
	<b>98</b>	<b>99</b>
Amounts due from the Consolidated Fund in respect of supply	-	-
	<b>98</b>	<b>99</b>

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

	As at 31 March 2014	As at 31 March 2013
	£000	£000
<b>Amounts falling due within one year</b>		
Other taxation and social security	53	60
Other payables	44	37
Accruals and deferred income	1,804	1,341
	<b>1,901</b>	<b>1,438</b>
Amounts issued from the Consolidated Fund for supply but not spent at year end	127	3
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
- Received	3	30
	<b>2,031</b>	<b>1,471</b>

<sup>6</sup> A single Member repayment contract remains with a balance of £7,714.50 at 31 March 2014. No balances arising from Standards and Privileges Committee reports were outstanding at 31 March 2014, although a report (HC1179) published on the 1 April 2014 recommended a repayment of £5,800 which has since been collected.

## 9. Provision for Pension Liability

### 9.1 Overview

The Parliamentary Contributory Pension Fund (PCPF) is a funded 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 Members and as such will not be fully realised for many years.

### 9.2 Governance arrangements

The Fund is a statutory scheme. Prior to 24 October 2011 the Fund was set up under the Parliamentary and Other Pensions Act 1987 with the main governing arrangements contained in the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993. The Constitutional Reform and Governance Act 2010 conferred powers on IPSA to ensure that decisions on Members' salaries and pensions were undertaken independently of the House. Powers to take certain decisions on Ministerial pensions within the Fund were conferred on the Minister for the Civil Service. With effect from 24 October 2011, following the enactment of Schedule 6 of the 2010 Act, the provision of the 1993 Regulations became:

- An IPSA scheme under paragraph 8 in relation to the administration and management of the Fund;
- An IPSA scheme under paragraph 12 for the benefits payable under the Fund for Members, paid committee chairmen, and other paid office holders in Parliament; and
- A Minister for the Civil Service (MCS) scheme under paragraph 16 for the benefits payable under the Fund for certain other paid Members.

IPSA announced on 18 December 2013 (HC875) that following the 2015 General Election they will implement a new Members' Pension Scheme. All newly elected Members will be entered into the new scheme, but the extent that the new scheme will reflect existing benefits will depend on the proximity of existing Members to retirement. All Members within 10 years of retirement at 1 April 2013 will be protected from scheme changes, while those between 10 and 13.5 years of retirement on 1 April 2013 will have the option to continue in the existing scheme for a defined period until moving into the new scheme. The Minister for the Civil Service has also consulted on the new scheme for paid Ministers that fall within their remit and have announced that the new MCS scheme, which will also be in place from the 2015 General Election, will be largely based on the new Principal Civil Service Scheme (PCSPS). Both IPSA and the MCS have drafted new rules for the scheme which are expected to be laid before Parliament in the autumn 2014. For existing Members who are re-elected at the 2015 General Election this will have the effect of increasing their accrued pension liability by around 10%. The cost will depend on how many and which Members are re-elected but the Government Actuary's Department (GAD) have estimated the increase in liability will be around £10 million.

From 24 October 2011 the governing legislation specified that there should be 10 Trustees, 8 of whom were Member Nominated Trustees, plus one appointed by IPSA and the NCS.

### 9.3 Contribution rates and benefits provided

Contribution rates are reviewed periodically in conjunction with the returns on assets held by the pension scheme. This has previously led to contribution rate adjustments to address the level of pension scheme liabilities. Further details of recent adjustments are provided below. The Constitutional Reform and Governance Act 2010 made provision for IPSA and the Minister for the Civil Service to alter the Exchequer contribution to the PCPF in the future if required, but the existing process of the Government Actuary's Department (GAD) recommending the rate payable in their triennial valuations of the fund remained in place during 2013-14.

#### **(a) PCPF scheme member contributions**

##### *(i) Members of Parliament*

The PCPF is a defined benefit scheme based on a Member's salary over the last 12 months of service. It is funded by contributions from scheme members, the Exchequer and investment returns. Scheme members can build up pension under one of three options:

- 1/40<sup>th</sup> for each year of service (subject to a maximum pension of 2/3rds of final pensionable salary, less pensions built up prior to being elected as a Member);
- 1/50<sup>th</sup> for each year of service (subject to a maximum pension of 2/3rds of final pensionable salary, less pensions built up prior to being elected as a Member);

- 1/60<sup>th</sup> for each year of service.

Member contribution rates were increased by 1.85% from 1 April 2012 to take account of increases to public sector pension scheme contributions from 1 April 2012 announced by the Government following the publication of the Independent Public Service Pensions Commission: Final Report (Hutton Report) on 10 March 2011. The IPSA scheme for Members of Parliament also made other minor changes to the scheme rules including allowing Members a one-off three month period in which to switch their pension accrual rate, and the ability to cancel added years contracts.

*(ii) Ministerial pensions*

PCPF benefits are provided for the additional salary entitlement attached to certain official and Ministerial posts in both Houses. These posts are grouped:

- Offices which are the responsibility of IPSA: Speaker, Commons' Deputy Speakers and other office holders in the House of Commons (for example, select committee chairmen);
- Group A: Secretaries of State, the Leader of the Opposition in the Commons and Speaker in the House of Lords;
- Group B: Ministers of State, the Government Chief Whip, the Leader of the Opposition in the Lords, and both the Chairman and Deputy Chairman of Committees of the House of Lords; and
- Group C: Parliamentary Under-Secretaries, Government and Opposition Whips.

Pensions provided to other Offices of State, including the Prime Minister and Speaker of the House of Commons, are paid directly from the Consolidated Fund.

Some of these posts fall within IPSA's remit, but most are for the Minister for the Civil Service to determine the pension scheme contributions and benefits payable. The Minister for the Civil Service previously adopted the same scheme member contributory rates but since 1 April 2012 additional increases to these rates, dependent on the level of Ministerial responsibilities held, have been applied. A summary of member contributions payable are shown in the following tables:

Post held	Contribution rate payable from 1 April 2013		
	1/40th	1/50th	1/60th
Member of Parliament	13.75%	9.75%	7.75%
Office which is the responsibility of IPSA	13.75%	9.75%	7.75%
Office which is the responsibility of the Minister for the Civil Service (Group A)	16.7%	12.7%	10.7%
Office which is the responsibility of the Minister for the Civil Service (Group B)	15.1%	11.1%	9.1%
Office which is the responsibility of the Minister for the Civil Service (Group C)	13.9%	9.9%	7.9%

Post held	Contribution rate payable from 1 April 2014		
	1/40th	1/50th	1/60th
Member of Parliament	13.75%	9.75%	7.75%
Office which is the responsibility of IPSA	13.75%	9.75%	7.75%
Office which is the responsibility of the Minister for the Civil Service (Group A)	17.9%	13.9%	11.9%
Office which is the responsibility of the Minister for the Civil Service (Group B)	15.9%	11.9%	9.9%
Office which is the responsibility of the Minister for the Civil Service (Group C)	14.4%	10.4%	8.4%

**(b) Exchequer contribution**

The Exchequer contribution from 1 April 2013 to 31 March 2014 was 28.8% of pensionable pay, the rate recommended in the 2011 funding valuation adjusted to allow for an increase in member contributions for Ministers, comprising an on-going rate of 20.2% and a deficit recovery rate of 8.6%. This expenditure incurred amounted to £13.6 million during 2013-14. From 1 April 2014 the Exchequer contribution has further decreased to 28.7% comprising an on-going rate of 20.1% and a deficit recovery rate of 8.6%.

**(c) Member of Parliament staff pensions**

Employees of Members of Parliament automatically join the Portcullis Pension Plan, although they can opt out if they wish. All employees within the Plan benefit from a contribution of 10% of their basic earnings. This is administered by IPSA from the staffing allowance provided to Members.

**9.4 Membership statistics**

The last full actuarial valuation of the PCPF was carried out at the 31 March 2011 (HC1907) published on 27 March 2012. Sufficient additional data was supplied by the scheme's administrator, RPMI, to enable the liability at 31 March 2013 to be assessed based on the calculated liability at the 31 March 2011. The next full actuarial valuation will assess the scheme's position at 31 March 2014 but will not be available until nearer March 2015. The earlier full actuarial review gave participation in the scheme as follows:

**(a) Current Members**

	Members of Parliament within PCPF	Ministerial pensions within PCPF
Number accruing benefits at 1/40 <sup>th</sup>	563	160
Number accruing benefits at 1/50 <sup>th</sup>	41	15
Number accruing benefits at 1/60 <sup>th</sup>	30	6
Total number	634	181
Average age (years)	50.5	54.7
Average accrued pension (per annum)	£16,600	£2,700

**(b) Incumbent pensioners**

	Former Members	Surviving dependents of former Members	Active members in receipt of statutory Guaranteed Minimum Pension	Members aged over 75 with an abated pension	Total
Number of pensioners	665	284	9	7	965
Average age (years)	73.2	74.6	71.2	78.6	73.6
Average pension in payment (per annum)	£21,100	£12,100	£5,900	£36,500	£18,400
Total cost pensions in payment (per annum)	£14.03 million	£3.42 million	£0.05 million	£0.26 million	£17.76 million

## 9.5 Assumptions adopted for calculating the pension liability

The actuarial valuation involves placing a current value on the benefit payments due to be paid in future years. They cover a considerable period and include liabilities accrued during 2013-14 and previous years for current, former and retired Members. International Accounting Standards (IAS 19) requires the value of accrued liabilities and the contribution rate to be assessed using the standard actuarial methodology known as the Projected Unit Credit Method.

### (i) Demographic assumptions

The demographic assumptions adopted include mortality rates (both in service and in retirement), withdrawals from service, and ages of dependants.

#### (a) Life expectancy of normal health pensioners at age 65

	As at 31 March 2014		As at 31 March 2013	
	Male (years)	Female (years)	Male (years)	Female (years)
Current pensioners	25.0	26.2	25.0	26.2

#### (b) Rate of turnover at a General Election

Age at Election date	Proportion of Members leaving the House of Commons
Under 63	25%
63 to 75	80%
Over 75	100%

### (ii) Financial assumptions

Following advice from GAD the financial assumptions adopted to calculate the discounted value of the benefits and contributions include:

	As at 31 March 2014	As at 31 March 2013
Rate of return (discount rate)	4.4%	4.3%
Rate of return in excess of:		
- Pension increases	4.5%	4.7%
- Earnings increases	1.9%	1.8%
CPI rate	2.5%	2.5%
Rate of salary increases	4.5%	4.7%

The discount rate adopted is the current rate of return on corporate bonds (AA rated). The public sector pay restrictions of recent years is not considered to impact significantly on the long term historic trend for salary growth. The rate of increase for salaries is based on the assumption that earnings in the future will continue to increase at a rate 2.0% above CPI.

The results of actuarial calculations are inherently uncertain because of the assumptions made. A sensitivity analysis prepared by the actuaries at 31 March 2014 suggests that changes to the main assumptions could have a significant impact on the total pension liability:

Rate of return:	£ million
(i) Change of (0.5)% in salary	7.0
(ii) Change of (0.5)% in pension in payment	56.0
Pensioner mortality:	
(iii) Average increase of 2 years life expectancy	42.0

## 9.6 Movement on pension provision

### (i) Movement in assets

	2013-14	2012-13
	£ million	£ million
Value of scheme assets brought forward from previous year	484.2	426.1
Movement in year due to:		
Expected return on scheme assets	20.8	23.1
Difference between actual return and expected return on scheme assets	17.2	37.3
Exchequer contribution to the scheme	13.6	13.6
Member contributions towards future benefits	6.1	6.1
Less: benefits paid out in respect of retired Members	(21.4)	(22.1)
Rounding difference	-	0.1
<b>Closing fair value of scheme assets</b>	<b>520.5</b>	<b>484.2</b>

### At year end the scheme assets comprised:

	2013-14	2012-13
	£ million	£ million
Pooled Investment Vehicles	292.0	264.6
Equities	154.9	148.4
Fixed Interest	72.7	52.2
Index Linked	-	6.7
Cash and other assets	(3.4)	10.1
Investment liabilities	(0.4)	(0.2)
Current assets and cash at bank	6.5	4.3
Current liabilities	(1.8)	(1.9)
<b>Closing fair value of scheme assets</b>	<b>520.5</b>	<b>484.2</b>

<b>(ii) Movement in actuarial liability</b>	<b>2013-14</b>	<b>2012-13</b>
	<b>£ million</b>	<b>£ million</b>
Historic actuarial liability brought forward from previous year	686.2	612.6
Movement in the year due to:		
Future benefits earned from service (current service cost):		
- Funded by the House	17.4	14.0
- Funded from regular Member contributions	5.8	5.7
- Enhanced benefits funded by additional Member contributions	-	0.4
Benefits paid out in respect of retired Members	(21.5)	(21.6)
Net transfers into Fund	0.4	(0.5)
Interest on scheme liability <sup>7</sup>	29.5	30.0
Changes in assumptions adopted <sup>8</sup>	(10.0)	65.3
Experience loss <sup>9</sup>	(11.4)	(19.7)
<b>Actuarial liability at end of year</b>	<b>696.4</b>	<b>686.2</b>

<b>(iii) Movement in deficit during the year</b>	<b>2013-14</b>	<b>2012-13</b>
	<b>£ million</b>	<b>£ million</b>
Deficit brought forward from previous year	(202.0)	(186.5)
Future benefits funded by the House	(17.4)	(14.0)
Exchequer contribution to the scheme	13.6	13.6
Actuarial adjustment arising from change in pension indexation	-	-
Finance cost <sup>10</sup>	(8.7)	(6.8)
Actuarial loss <sup>11</sup>	38.5	(8.3)
<b>Deficit in scheme at end of year</b>	<b>(175.9)</b>	<b>(202.0)</b>

<b>(iv) Total movement in net liability</b>	<b>2013-14</b>	<b>2012-13</b>
	<b>£ million</b>	<b>£ million</b>
Present fair value of scheme liabilities	696.4	686.2
Less: fair value of scheme assets	(520.5)	(484.2)
<b>Net liability</b>	<b>175.9</b>	<b>202.0</b>

The deficit movement (£26.1 million) during the year is charged to the Statement of Comprehensive Net Expenditure (£12.5 million in Note 3) with the balance (£13.6 million) being set against the General Fund in the Statement of Financial Position. The Statement of Comprehensive Net Expenditure charge (£12.5 million) represents the Current Service Cost funded by the House (£17.4 million) plus the finance cost (£8.7 million) less the Exchequer contribution to the scheme (£13.6 million in Note 2).

<sup>7</sup> Notional interest cost of funding the liability.

<sup>8</sup> This represents the future impact of changes to the assumptions which have been adopted at 31 March 2014.

<sup>9</sup> Figures represent the impact of changes in salary and some other assumptions since the 2011 revaluation of the scheme.

<sup>10</sup> Difference between expected return on scheme assets (£20.8 million) and interest cost of funding scheme liabilities (£29.5 million).

<sup>11</sup> Figure represents the experience loss arising on pension liabilities (£11.4 million) plus difference between the actual and expected return on scheme assets (£17.2 million) and changes in assumptions adopted (-£10.0 million).

### 9.7 PCPF accounts

The Accounts of the PCPF are published separately. Further information about the PCPF or a copy of the Annual Accounts can be obtained from the PCPF Secretariat, Department of Finance, House of Commons, London SW1A 0AA or online at- [www.official-documents.gov.uk](http://www.official-documents.gov.uk).

The 2013-14 PCPF Accounts are expected to be published in the autumn 2014. These follow an Accounts Direction issued by the Comptroller and Auditor General and are prepared in accordance with the Statement of Recommended Practice (SORP) rather than following International Accounting Standards (IAS19). As such they do not disclose all the assets and liabilities of the scheme. For example, the investment value of additional voluntary contributions (AVCs) purchased by Members that are invested separately from the Fund with external providers will not be included.

## 10. Capital commitments

There were no capital commitments as at 31 March 2014 (none as at 31 March 2013).

## 11. Contingent liabilities and contingent assets

There were no contingent liabilities at 31 March 2014 (none as at 31 March 2013).

## 12. Losses and special payments

	2013-14	2012-13
	£000	£000
<b>Losses</b>	-	6

There were no losses as at 31 March 2014.

## 13. Related-party transactions

The House of Commons: Administration Estimate is regarded as a related party. The House of Commons Commission provide resources without charge for the following services to Members and their staff: accommodation, utilities, catering, security, communications and administration. Computer equipment provided to both Houses is being managed by the Parliamentary Information and Communications Technology (PICT) service. PICT was formally vested as a Joint Department on 1 April 2008 under the Parliament (Joint Departments) Act 2007. Members of Parliament also act as managing trustees for the Parliamentary Contributory Pension Fund and the House of Commons Members' Fund.

The Register of Members' Interests provides information of any pecuniary interest or other material benefit which a Member receives which might reasonably be thought by others to influence his or her actions, speeches, or votes in Parliament, or actions taken in his or her capacity as a Member of Parliament. The Register is published soon after the beginning of a new Parliament under the authority of the Select Committee on Standards and Privileges, and annually thereafter. Between publications the Register is regularly updated in a loose leaf form and this is available for public inspection in the Committee Office of the House of Commons. Employment agreements deposited with the Registrar are available for personal inspection only.

The Members Estimate provides financial assistance to Opposition parties to carry out their parliamentary or representative functions. The total payable to each party is linked to a formula based on the number of seats won and the votes cast at the previous General Election.

Payroll and other administration services provided to both the Parliamentary Contributory Pension Fund (PCPF) and House of Commons Members' Fund (HCMF) are re-charged to the respective trustees of those Funds.

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#### **14. Events after the reporting period**

In accordance with the requirements of IAS 10, post Statement of Financial Position events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Independent Auditor's Report to the Members of the House of Commons.

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# **House of Commons: Members Estimate**

## **Members Estimate Audit Committee Annual Report 2013-14**

## Members Estimate Audit Committee Annual Report 2013-14

### Introduction

This is the tenth annual report of the House of Commons Members Estimate Audit Committee (MEAC), which was established by the House of Commons Members Estimate Committee (MEC) on 14 June 2004, following changes to the governance structure for the Members Estimate agreed by the House in January 2004.

This report outlines the MEAC's conclusions in relation to the Members Estimate for the financial year 2013-14. The Committee's findings are set out by the key areas on which it is required to provide assurance to the Accounting Officer under its terms of reference.

Details of the MEAC's terms of reference, membership and activity during the year are provided in the Appendix to this report.

### Conclusion for the financial year 2013-14

#### *The effectiveness of the system of governance, risk management and internal control (the "system of internal control")*

Since IPSA took over responsibility for Members' allowances in May 2010, the Members Estimate has become significantly smaller and the scope of our work in considering the effectiveness of the system of internal control has reduced accordingly. We refer readers to the 'Annual Report of the Administration Estimate Audit Committee' for our conclusions on the overall control environment within which the Members Estimate operates.

In last year's annual report we noted changes that had been introduced to strengthen the governance processes surrounding the approval of the Members Estimate, and any subsequent Supplementary Estimates. We also noted that changes had been introduced to the audit process for the financial assistance provided to opposition political parties from the Member estimate, commonly referred to as "Short Money" and "Representation Money." We are pleased to note that both of these systems appear to be working well.

#### *The integrity of the Annual Accounts*

The Committee have reviewed the Annual Accounts. We consider the Accounts acceptable for signature by the Accounting Officer. We are satisfied with the Annual Governance Statement.

The Parliamentary Contributory Pension Fund (PCPF) is the pension scheme for Members of Parliament, Government ministers and other Parliamentary office holders. The assets of the PCPF are shown in the PCPF's own accounts. However, funding of the Exchequer contribution towards current service costs and accounting for the historic liabilities remain with the Members Estimate. Approximately 70% of the Members Estimate relates to the pension scheme.

We have previously recommended that it would be preferable to move to a situation where both the assets and the liabilities of the PCPF were included in the same set of accounts so that management accountability for both the PCPF's assets and its liabilities could be unified under a single body. There is also a case for transferring the Exchequer contribution to IPSA and the Minister for the Civil Service. We will continue to monitor closely any developments relating to the future of the Members Estimate.

#### *The work of the internal audit service*

No specific internal audit reports were carried out on the Members Estimate for the reason set out in paragraphs 10-11 of the Appendix. We note that the Director of Internal Audit has therefore not provided a formal opinion on that Estimate. We are satisfied with this position given the circumstances.

#### *The external audit by the external auditor*

The Committee is satisfied with the scope and nature of the work of the NAO and believes that the NAO has carried out its external audit work with due independence.

*Other matters as were referred to the Committee by either the Accounting Officer or the Members Estimate Committee*

No other matters were referred to the Committee by the Accounting Officer or the Member Estimate Committee in 2013-14.

## Appendix: Terms of reference, membership and activity of the MEAC

### Terms of reference

The Committee has the following terms of reference, which are approved by the Members Estimate Committee (the last changes were agreed in July 2012):

#### REMIT

The Members Estimate Audit Committee ("The Committee") pursues its objectives and fulfils its responsibilities on behalf of the Members Estimate Committee ("MEC") and, as it deems appropriate, shall draw any matters arising within these terms of reference to the attention of the Members Estimate Committee.

#### MEMBERSHIP

The membership of the Committee shall be:

- 3 MP members, including:
  - A Member of the Members Estimate Committee
  - A Member of the Finance & Services Committee
- 3 External Members, appointed by the MEC

The Chairman shall be appointed by the MEC from amongst the members of the Committee.

#### OBJECTIVES

The Committee has been established to support the Accounting Officer in discharging his responsibilities under the Members Estimate, particularly with regard to the maintenance of an effective system of internal control. The Members Estimate contains financial assistance to Opposition parties (Short Money and Representative Money); the Members Fund; ICT maintenance and equipment depreciation; training for Members and their staff; disability assistance; insurance and contributions to the Members' pension scheme (the Parliamentary Contributory Pension Fund (PCPF)).

The Committee's objective is to give assurance to the Accounting Officer on:

- The effectiveness of the system of governance, risk management and internal control (referred to collectively as the "system of internal control")
- The integrity of the annual Resource Accounts
- The work of the internal audit service
- The external audit by the external auditor
- Other matters as may be referred to it by either the Accounting Officer or the Members Estimate Committee

#### RESPONSIBILITIES

##### Governance, Risk Management and Internal Control

The Committee is responsible for monitoring governance, risk management and internal control ("the system of internal control"). This monitoring will include:

- the effectiveness of the design and operation of the system of internal control;
- the development and operation of the system of risk management, in accordance with the overall risk management policy;
- the level and range of assurances on the management of risks; and
- the adequacy and implementation of proposed management actions to improve the effectiveness of internal controls.

Annual Resource Accounts

The Committee is responsible for reviewing the annual Resource Accounts before their submission to the Accounting Officer. This review will include:

- any significant changes in the accounting policies or treatments;
- major financial reporting judgements or estimates;
- consistency of the Annual Governance Statement;
- resolution of any matters raised by the external auditor; and
- significant adjustments resulting from the audit by the external auditor.

Internal Audit

The Committee is responsible for monitoring the work of the internal audit service. This includes:

- involvement in the appointment of the Director of Internal Audit and the audit partner;
- agreement to the annual internal audit plan and monitoring of progress;
- consideration of the results and findings from internal audit work and the adequacy of management responses; and
- consideration of the Director of Internal Audit's annual report and opinion.

External Audit

The Committee is responsible for monitoring and reviewing the work of the external audit. This review will include:

- recommendations on the appointment and scope of work of the external auditor;
- consideration of the external audit strategy;
- the results of the external audit work, including any reports to those charged with responsibilities for governance, and the adequacy of management responses;
- representations made by management to the external auditor; and
- annual review of the external auditor's independence and effectiveness.

**RELATIONSHIP WITH THE ADMINISTRATION ESTIMATE AUDIT COMMITTEE**

The Committee will rely upon the work of the Administration Estimate Audit Committee (AEAC) on matters that relate to the overall governance, risk management and internal control of the House of Commons Administration, and concentrate its own work on those parts of its responsibilities that specifically relate to matters under the Members Estimate. Where relevant, the Committee will take into account the results of the AEAC's deliberations in drawing conclusions on its own work.

**Membership**

The Committee is chaired by an external member, Dame Janet Gaymer DBE, who is also an external member of the House of Commons Management Board. Barbara Scott and Stephen Brooker are the other two external members of the Committee. Janet Gaymer replaced Alex Jablonowski as the external Chair of the Committee in September 2013. The membership of the Administration Estimate Audit Committee also reflects these changes.

The current MP members of the Committee are: Ms Angela Eagle MP, Rt Hon Sir Alan Haselhurst MP and John Thurso MP.

The Clerk of the House, the Director of Finance and the Director of Internal Audit also attend the Committee's meetings. All three officials may withdraw for specific items at the Committee's, or their own, request.

The Committee's Secretary is the Private Secretary to the Clerk of the House. The Committee is also supported by a Committee Assistant.

## Meetings

The Committee met six times in the financial year 2013-14: on 17 April, 3 and 10 July, 9 October 2013 and 15 and 25 March January 2014. Attendance is shown in the table below.

Member	Total number of meetings attended
Dame Janet Gaymer DBE (Chair) (from 19 September 2013)	3/3
Alex Jablonowski (Chair) (until 18 September 2013)	3/3
Stephen Brooker	6/6
Ms Angela Eagle MP	0/6
Rt Hon Sir Alan Haselhurst MP	6/6
John Thurso MP	5/6
Barbara Scott	5/6

In addition it held an informal meeting to review its effectiveness on 6 November 2013.

The external members of the Committee held an informal meeting with the House's finance team and the NAO to discuss the draft House of Commons Members Estimate accounts on 19 June 2014.

The Committee had one meeting in the current financial year before this report was agreed on 2 July 2014.

## Internal Audit

As set out in the terms of reference above, MEAC relies upon the work of the Administration Estimate Audit Committee (AEAC) on matters that relate to the overall governance, risk management and internal control of the House of Commons Administration, and concentrates its own work on those parts of its responsibilities that specifically relate to matters under the Members Estimate. Areas of overlap between the Audit Committees, for example in relation to the regular report on the work of Internal Audit (IA), are usually discussed in AEAC meetings and have therefore not been set out in this report. They are available in the annual report of the AEAC, published with the House of Commons Commission's Annual Report for 2013-14.

Given the size and scope of the Members Estimate for 2013-14, the Internal Audit Plan did not contain any specific audit work directly related to expenditure under the Members Estimate, although many reports did have findings that are related to management systems that cover both Estimates. The Director of Finance and Director of Internal Audit review the scope of the Members Estimate and proposed coverage by the NAO, and determined that there were no significant areas of risk or operation that required specific internal audit coverage.

## External Audit

In January 2014 the Committee discussed the NAO's planned approach to auditing the Members Estimate Annual Accounts 2013-14. The NAO raised no significant risks to the audit opinion.

The external members of the Committee met with the NAO and Finance staff on 19 June 2014 to discuss the draft House of Commons: Member Estimate accounts for 2013-14. Following this the accounts were discussed by the full Committee on 2 July 2014 prior to being signed off by the Clerk of the House, as Accounting Officer.

## Further information about the Committee

The Committee publishes annual reports and certain papers (agendas, minutes and actions arising) on its page on the parliamentary website <http://www.parliament.uk/business/committees/committees-a-z/other-committees/members-estimate-audit/role/>