

Presented to the House of Commons pursuant to Schedule (9) of the House of Commons Members' Fund Act 2016 (c. 18)

House of Commons Members' Fund Account 2021-22

Ordered by the House of Commons to be printed on 29 March 2023

HC 1272

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Report of the Trustees

Background

The Members' Fund was originally set up by the House of Commons Members' Fund Act 1939 and amended by various subsequent Acts. The Fund is not a pension fund and was initially set up in 1939 to provide for discretionary grants to be made by the Trustees to ex-Members of Parliament who attained 60 years of age and who had 10 years' service as Members, their widow/ers and orphan children under 16. Subsequent legislation allowed the Trustees to make discretionary payments to former Members and certain dependants having regard to their circumstances.

In recent years, the Fund's governing legislation was replaced by the House of Commons Members' Fund Act 2016. The Fund continues to make historic grant payments to those who qualify under the original legislation and the Trustees continue to have powers to make discretionary payments on an annual or one-off basis to former Members and their dependants based on their circumstances.

Developments during 2021-22

The Members' contributions had been a statutory £2 a month since 1961. There was no flexibility to alter this amount until the primary legislation of the Fund was changed to allow this in 2016. In November 2021, the Trustees agreed that the contribution would be increased by inflation in April 2022. This decision was taken to avoid further erosion of the value of the contribution in future. It was agreed that this decision should be reviewed annually.

Trustees

The Trustees are appointed by Resolution of the House in accordance with Section 2 of the 2016 Act.

During the scheme year, a Resolution of the House on 16 March 2022 removed Stuart Andrew MP as a Trustee and appointed Christopher Pincher MP as a new Trustee.

The Trustees in place at the time of signing the accounts were: Clive Betts MP (Chair), Rt Hon Nick Brown MP, Peter Grant MP, Eric Martlew (former MP), Christopher Pincher MP, Sir Charles Walker KBE MP and Craig Whittaker MP.

There were three Trustee meetings held during the accounting year. The Trustee meetings were held on 25th November 2021; 24th February 2022 and 9th June 2022. The Trustees' attendance at these meetings is summarised below. Where a Trustee was not able to attend all the meetings in the year, the maximum number of meetings is given in brackets.

Name	Meetings attended
Clive Betts MP (Chair)	3
Peter Grant MP	3
Eric Martlew	3
Sir Charles Walker KBE MP	3
Nick Brown MP	1
Craig Whittaker MP	1
Christopher Pincher	1 (of 2)
Stuart Andrew	0 (of 2)

Officers of the Fund

The following professional parties are appointed in connection with the Fund.

Responsibility	Name	Appointed by
Actuarial advice	Government Actuary	Schedule (10) of the 2016 Act
External auditor of annual accounts	Comptroller and Auditor General	Schedule (9) of the 2016 Act
Investment Management	Legal & General Investment Management Ltd (LGIM)	Trustees
Payroll provider	House of Commons	Trustees
Secretary	Gurpreet Bassi House of Commons	Trustees

The Trustees have also appointed officials from the House of Commons, as their Secretariat.

Preparation of annual accounts

Under the 2016 Act, the Trustees became responsible for arranging the maintenance and publication of accounts in accordance with generally accepted accounting practice. At that time, the Trustees set an accounts direction to produce accounts, as far as appropriate, in accordance with FRS 102, which requires the Trustees to prepare financial statements that recognise the assets and liabilities (including long-term liabilities) arising from the payment of grants and discretionary benefits. Before signing the 20-21 accounts, the Trustees reviewed the accounts direction and, upon the advice of finance colleagues in House of Commons, agreed that FRS 102 remained the most appropriate accounting standard going forward. The Trustees asked for further information on alternative frameworks to be given to them in 22-23. The accounts direction will be formally reviewed again in 2026.

Grants paid

At the beginning of the reporting year on 1 October 2021, there were 24 beneficiaries of the Fund and 26 annual grants in payment, as two beneficiaries received annual grants that were initially due under two separate Acts. During the reporting year, one of the beneficiaries that was paid two grants died, as did a further two HCMF beneficiaries. One beneficiary died prior to the reporting year, in August 2021, but notification was not received until 2021-22. After taking into account these four deaths, there were 20 beneficiaries and 21 annual grants in payment at 30 September 2022.

In addition, over the year to 30 September 2022 the Trustees paid out a total of £39,836.81 in discretionary grants to five beneficiaries.

Income

Income to the Fund is derived from statutory contributions from Members of Parliament originally set up under the 1939 Act, now permitted by the 2016 Act. During the accounting year the Trustees agreed to increase the Member contributions by inflation from April 2022. It was agreed that the annual increase in CPI to the previous September would be used as the measure of inflation. This meant that Member contributions increased in April 2022 by 3.1%, from £24 per annum to £24.72 per annum. The Trustees agreed to consider further inflationary increases on an annual basis.

Investment income forms the largest proportion of income to the fund. All of the funds held with Legal & General Investment Management (LGIM) are income distribution funds. Details of the Fund's investments are provided in the next section.

Investment Details and Performance

Historically the Fund has had a high-risk appetite, this was reflected in the investment strategy which comprised of 72% equities (growth) and 28% bonds (protection) assets. It was agreed that this strategy was not compatible with the removal of Treasury support for the Fund following the 2016 Act. Since June 2018 a revised strategy was implemented. The adopted strategy was confirmed as sufficient by Hymans in 2019 and is shown below:

UK Equities- 20%
Diversified Growth Funds- 20%
Corporate Bonds- 25%
Index-linked gilts- 35%

The Trustees had previously agreed to undertake a formal investment strategy review in 2022. In November 2021, the Trustees considered whether to go ahead with the review but agreed that they were comfortable with the current investment strategy at that time, and as such a formal review was unnecessary. The Trustees agreed to consider whether to undertake an investment review in 2025, or sooner if necessary.

During the year, the Trustees monitored the investment performance through receipt of quarterly investment reports from LGIM. Following the year end, in November 2022, the Trustees reviewed the investment fund charges. It was noted that one of the investment funds attracted proportionally higher charges, due to an element of active management, and this fund had also appeared to not perform well in the short or medium term. The Trustees considered whether it would be prudent to bring forward the investment strategy review. It was agreed to first request a funding update from GAD in 2023, following which they would consider whether to undertake a formal review of the investment strategy.

Investment income increased by £17,106 to £131,639 for the year ending 30 September 2022. The market value of the Fund's investments decreased by £1,583,487 over the year, from £7,694,128 on 30 September 2021 to £6,110,641 on 30 September 2022.

The dramatic reduction in investment value over the 12 month period was influenced heavily by a steep decline in equity markets, particularly in the second and third quarters of 2022. The invasion of Ukraine, high inflation and subsequent higher interest rate expectations, weighed on both equity valuations and the fundamental economic outlook. Credit markets also suffered during the year, yields on global credit rose, with spreads widening, particularly in the second and third quarters of 2022.

Actuarial position of the Fund

Since the 2016 Act, Trustees are not required to ask the Government Actuary to carry out an actuarial assessment. Therefore, the Trustees have agreed that an actuarial assessment will only be carried out as and when they require. The Trustees commissioned this exercise in 2019 as part of their investment strategy review.

Actuarial liabilities for current obligations

The accounting valuation presented in these financial statements is different to the actuarial assessment which would be carried out by GAD. FRS 102 does not assess the funding level and requires that in the valuation of the accrued liabilities (the 'actuarial liability') no allowance is made for future discretionary payments or expenses of the fund, as these do not represent current obligations or future commitments as at year end. These financial statements include this accounting valuation and

the grants that have been awarded during the year. There is also a provision for the annual regular grants.

Actuarial assessment of the Fund's financial position

It should be noted that in addition to the cashflow, the fund's assets are held with Legal & General Investment Management Ltd and as of 30 September 2022 the assets were valued at £6.11m. Following the year end, in November 2022, the Trustees agreed to undertake an actuarial funding assessment during 2023.

Contact Address

Further information about the House of Commons Members' Fund can be obtained from the HCMF Secretariat by emailing HCMF@parliament.uk, or by writing to them at:

Finance, Portfolio and Performance
House of Commons
Westminster
SW1A 0AA.

Previous published accounts for the Fund can be found on the following page.

<https://www.parliament.uk/business/publications/commons/house-of-commons-members-fund/>

Approved on behalf of all the Managing Trustees on 23 March 2023 by:

Clive Betts MP
Chair of the Managing Trustees

Statement of Trustees' Responsibilities

The House of Commons Members' Fund Act 2016 requires the Managing Trustees of the House of Commons Members' Fund, to make arrangements for the maintenance and publication of accounts in accordance with generally accepted accounting practice. The accounts for the year ended 30 September 2022 were prepared on an FRS102 basis as directed by the Trustees.

Under the 2016 Act, the Managing Trustees have directed the Finance team at the House of Commons, to:

- Observe the framework agreed by Trustees and include the relevant accounting and disclosure requirements; apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis on the presumption that the Fund will continue in operation.

The Trustees are responsible for the keeping of proper accounting records, for ensuring that the proper financial procedures are followed, for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Trustees delegate this responsibility to finance officials at the House of Commons who assume responsibility for keeping accounting records, for ensuring that financial procedures are followed and that the accounting records are capable of producing statements which comply with the requirements of the 2016 Act.

As the Trustees, we have taken all the steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that HCMF's auditors are aware of that information. So far as we are aware, there is no relevant audit information of which the auditors are unaware.

The Trustees confirm that the Trustees' Report and financial statements are as a whole fair, balanced and understandable and take personal responsibility for the Trustees' Report and financial statements and the judgments required for determining that it is fair, balanced and understandable.

Governance Statement

Introduction

This statement covers the operation of the Fund for the year ending 30 September 2022. On behalf of all of the Trustees, I acknowledge our responsibility for ensuring that an effective system of governance is maintained and operated in connection with the Fund.

Governance framework of the House of Commons Members' Fund (Fund)

While the Managing Trustees maintain overall responsibility for the management of the Fund, in practice they have appointed officials from the House of Commons to provide full secretariat, administrative, payroll and accounting services to the Trustees.

The Secretariat is responsible for providing support and advice to Managing Trustees, day to day administration of the Fund and arranging all meetings and drafting papers, including agendas and minutes. This responsibility includes maintaining Trustee records and ensuring minuted decisions are actioned. All teams within the House of Commons may be subject to audit by the internal audit team, although the Trustees are not aware of any internal audits being undertaken during the year.

The House of Commons Members' Fund Act 2016 allows for seven trustees in total, at least six of whom should be serving Members of Parliament (MPs), one may be a former Member. The Trustees agreed to appoint a former member and this appointment has been in place since 13 July 2017.

The Trustees manage conflicts of interest informally, with any declarations made, being recorded in the meeting minutes. No conflicts of interest were raised during the year. As serving or former MPs, the Trustees are familiar with, the Code of Conduct for Members of Parliament, which states that all Members will seek to avoid and immediately resolve conflicts that might arise. All Trustees are required to declare any related party declarations each year, and serving Members must register any financial interests in the Register of Members' Financial Interests.

The Managing Trustees have responsibility for reviewing the effectiveness of the system of internal control. Our review of its effectiveness is informed by the work of the Secretariat, who have been tasked with the development and maintenance of the control framework. The Secretariat is also responsible for assisting the Managing Trustees in the discharging of their legal and regulatory duties. This includes, for example: the preparation of the annual accounts; the preparation and maintenance of the Managing Trustees' risk register; and the management of applications for assistance.

One of the Trustees' principles of the investment strategy review was to keep the governance arrangements manageable and straightforward and for this reason the Trustees have not transitioned to a new investment manager and retained their funds with Legal & General Investment Management Ltd (LGIM). In addition, LGIM are a renowned provider of passively managed mandates.

Work of the Trustees

The Managing Trustees held three meetings during the year; 25th November 2021, 24th February 2022 and 9th June 2022. A fourth meeting had been planned for September 2022, but this was cancelled following the death of Her Late Majesty, Queen Elizabeth II. It was agreed that the next meeting should be held following the year end, in November 2022, but that any urgent business should be agreed by email circulation.

The majority of one-off discretionary grants are approved by the Trustees at their meetings with decisions recorded in the minutes. Occasionally urgent one off or discretionary payments might be considered by email circulation between meetings with approval granted by quorate majority. If a Trustee decision is made by circulation this is ratified at the next meeting. There were two instances of this during the accounting year.

The Managing Trustees are not bound by the Treasury and Cabinet Office's Corporate Governance Code, and this reflects the fact that the Fund's governance circumstances are inherently different from those of Government departments. However, I am content that the Board meets the overall objective of separating policy and operations.

The Managing Trustees monitor the performance of the Fund's investments through quarterly reports prepared by the Fund's investment manager, Legal & General Investment Management Ltd (LGIM), showing the performance of each fund against the Fund's benchmark. At the year end, the Fund's assets were invested on a passive basis in four of LGIM's passive funds totalling £6,110,641 in value, in addition c. £403,298 was held as cash. The Managing Trustees were content with the performance of the investments during the period. Following the year end, the Trustees noted that the performance of one fund was not as good as they would have expected. The Trustees noted that this fund also attracted higher fees, due to an element of active management. The Trustees agreed to request a funding update from GAD during 2023 and following this decide whether to undertake an investment strategy review.

The fund administration for the Unit Trust Managers (UTM) range of funds has been outsourced to a third-party fund administration, Northern Trust (NT), and they conduct the pricing and valuation of the funds on behalf of LGIM. Whilst UTM are still responsible for overseeing this function LGIM are not required to produce AAF 01/06 / ISAE 3402 reports. Reliance is placed on SOC1 reports produced by Northern Trust which essentially covers the same areas as these reports. The SOC1 report is produced by Northern Trust and approved by their auditors and submitted to UTM as a client of Northern Trust. It gives assurance over the control environment and any exceptions noted in the period. UTM reviews this document and challenges appropriately. The Secretariat are comfortable that LGIM conduct appropriate due diligence on Northern Trust, and ensure the highest standards are delivered to them.

Risks

Overall responsibility for the Fund's risk management strategy resides with the Trustees, although day to day management is delegated to the Secretariat. The Fund's risk management processes are reviewed periodically to ensure they remain appropriate.

The Secretariat, on behalf of the Managing Trustees, drafts and keeps updated a Risk Register for the Fund to support the active management of risk. This identifies and analyses potential issues that pose a risk to the Fund's objectives in terms of impact and probability. The Risk Register containing plans to mitigate potential risks is taken to Trustees usually once a year and is updated and reviewed by the Secretariat. Lower level risks are managed by the Secretariat and are escalated to the Managing Trustees for action as necessary under the system of risk management. A review of the risk register was carried out by the Secretariat in October 2021, which was presented to the trustees in November 2021. In line with their governance framework, the Trustees review the Risk Register annually. Following the year end, the risk register was reviewed by the Trustees at their meeting in December 2022.

Details of the risks identified for the year to 30 September 2022, along with a summary of actions in place during and following year end to reduce the impact or likelihood of these potential risks, are detailed below:

Risk	Mitigation and response to this risk
Policy and Legal: Fund not managed in line with the House of Commons Members' Fund Act 2016	<ul style="list-style-type: none"> Following the new Act in 2016 the Trustees made changes to the Fund's administrative arrangements to meet the terms of the new legislation. Secretariat provide guidance and support to Trustees at all meetings to ensure decisions are in line with the legislation. Officials from Office of Speaker's Counsel, who drafted the 2016 legislation, available to provide legal/policy advice if required.

<p>Financial: Levels of investment risk too high and income into the Fund is too low</p>	<ul style="list-style-type: none"> • The 2016 Act allows Trustees to increase member contributions to support funding. • Trustees undertook a review of their investment strategy during 2017 and 2019, which concluded strategy was sufficient and that the Fund should disinvest when the bank balance reached a certain level. The Trustees agreed to consider whether to undertake an investment review in 2025, or sooner if necessary. • Trustees are able to commission an actuarial assessment when there is a need to assess the funding level. • Professional advice provided by investment consultants when necessary. • A large liability was transferred to the PCPF in July 2021, relieving the Fund of its highest annual grant. It is expected that two further grants will also be transferred to the PCPF in 2023. This will further ease pressure on the Fund.
<p>Financial: Cashflow</p>	<ul style="list-style-type: none"> • Finance officials monitor bank account closely and notify Secretariat if bank account balance falls below an agreed buffer. • Trustees agreed to disinvest a fixed amount when the bank account reaches a specific level, following their investment strategy review 2019. • Secretariat carry out independent monthly checks of cashflow reports. • Trustees monitor cashflow reports at each meeting.
<p>Financial: Unprecedented level of demand on Fund</p>	<ul style="list-style-type: none"> • The Independent Parliamentary Standards Authority improved loss of office payments it makes to MPs who lose their seats, this should reduce the number of former members who need to apply for the Fund's assistance immediately following an election. • Trustees have complete discretion over the distribution of Funds and can reject applications if funding levels are too low. • Trustees have the power to increase Member contributions to the Fund to a maximum of 0.2% of salary by resolution of the House, or in line with cost of living without the need for a resolution • The Fund has an ageing payroll of just 20 remaining annual grant members (in receipt of 21 annual grants) which is expected to continue to decrease over time.
<p>Financial: Fraud</p>	<ul style="list-style-type: none"> • Secretariat follow House of Commons Finance and Procurement Rules to reduce risk of fraud. • Fraud existence exercise carried out in conjunction with the PCPF approximately every five years.
<p>Operational: Operational disaster (flood / fire / pandemic)</p>	<ul style="list-style-type: none"> • The Secretariat, Payroll and Accounting teams that work on HCMF are set up to work effectively from home. • All HCMF records, including member data and records of Trustee meetings are held on Parliamentary Network which is Cloud based. • Business continuity procedures in place to ensure business critical work to continue if staffing levels were unexpectedly reduced.

Operational: Operational disaster (terrorist attack / Trustees unable to perform their duties)	<ul style="list-style-type: none"> • Business continuity procedures in place to ensure that essential HCMF work would continue if Trustee resource levels are unexpectedly reduced.
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Financial management

Income paid to the Fund in the form of Member contributions and investment income are paid to the HCMF bank accounts managed by finance officials.

The current arrangements in place require finance officials to perform monthly bank reconciliations and share these with the Secretariat. Anything which cannot be reconciled is reported to the Secretariat for clarification or investigation. Finance officials also continue to be responsible for compiling the Financial Statements.

The Secretariat and finance officials work together to produce cashflow and expenditure reports which are reviewed by the Trustees at each meeting to improve governance on Fund costs and manage the cashflow risk.

The Managing Trustees have previously agreed that the Secretariat should adhere to the House of Commons' Finance and Procurement Rules. This should ensure that appropriate delegation of authority, resources are used only in accordance with agreed plans, and always adheres to the House's control procedures.

Fund Administration

The Managing Trustees have free access to all HCMF documents and records maintained by teams in the House of Commons.

The payroll function is performed by the House of Commons payroll service. A separation of duties exists in the payroll team whereby the staff member responsible for setting up the grant payments cannot authorise the payment and vice versa.

Finance officials pay the one-off lump sum gratuities following instruction from the HCMF Secretariat, through authorised procedures. A segregation of duties exists within financial teams when meeting outgoing payments. A monthly reconciliation of the grant payments is undertaken by the HCMF Secretariat to ensure grants are paid at the correct level and to the authorised beneficiary. One team are responsible for making one-off payments, another for undertaking bank reconciliations and another undertake payroll functions. Each team has different permissions and works within a distinct control environment.

There are currently three HCMF bank accounts. These are managed by finance officials on behalf of the Managing Trustees, who also undertake regular reconciliations of the Managing Trustees' bank accounts.

Legal & General Investment Management Limited

The Managing Trustees have delegated responsibility for the investment management of the majority of the Fund's assets, to Legal & General Investment Management Limited (LGIM). Following changes in the investment strategy, the Fund's assets are now diversified and no longer concentrated in a single asset class. The Funds are invested on a passive basis in four of LGIM's funds, and LGIM undertakes custody of all investment securities of the Fund.

The Managing Trustees review LGIM investment performance at each Trustee meeting. LGIM operate under their own risk framework which provides assurance that risks are being appropriately identified and managed, and that an independent assessment of risks is being performed annually. LGIM's Risk,

Compliance and Internal Controls Committee also regularly review the application of their risk framework and actions taken to address risk events.

Investors are kept informed of how LGIM's maintain a strong control and compliance environment through the production of an annual Assurance Report on Internal Controls. This document is based on the framework set out in ISAE 3402 issued by the International Auditing and Assurance Standards Board and AAF 01/06 issued by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales.

The Trustees last reviewed the investment strategy in 2019. During the year, in November 2021, the Trustees agreed that they were comfortable with the investment strategy at that time, and as such a investment strategy review was unnecessary. The Trustees agreed to consider whether to undertake an investment review in 2025, or sooner if necessary.

Information Security

The Trustees are data controllers for the Fund and following the General Data Protection Regulations they were provided with training to help them meet the new legal requirements. The Secretariat have updated the Fund's documentation to ensure compliance. Any breach of data must be reported to the Information Commissioner. There have been no such incidents during the year. Processes have been changed and improved to prevent or minimise any possible data losses. The parliamentary network is used to store the HCMF data and measures are in place to maintain information security. Staff of the House, including the Secretariat and finance officials, are kept updated and trained and receive annual essential cyber security training.

Conclusion

The Trustees consider the overall control environment has operated effectively and we are not aware of any significant control issues relating to the management of the Fund's assets or the administration of grant payments.

Approved by the Managing Trustees on 23 March 2023 signed on their behalf by:

Clive Betts MP
Chair of the Managing Trustees

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the House of Commons Members' Fund (The Fund) for the year ended 30 September 2022 under the House of Commons Members' Fund Act 2016. The financial statements comprise the Fund's:

- Statement of Financial Position as at 30 September 2022;
- Statement of Comprehensive Net Income and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the United Kingdom Accounting Standards including FRS 102 the Financial Reporting Standard applicable in the UK (United Kingdom Generally Accepted Accounting Practice).

In my opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 30 September 2022 and the Fund's net income for the year then ended; and
- have been properly prepared in accordance with the House of Commons Members' Fund Act 2016 and directions issued thereunder

Opinion on regularity

In my opinion, in all material respects, the income and expenditure 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.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 *Audit of Financial Statements of Public Sector Bodies in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Fund's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this certificate.

Other Information

The other information comprises information included in the Report of the Trustees, the Statement of Trustees' Responsibilities and the Governance Statement, but does not include the financial statements and my auditor's certificate and report thereon. The Trustees are responsible for the other information.

My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Trustees, the Statement of Trustees' Responsibilities, and the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Trustees Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance

Responsibilities of the Trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for:

- maintaining proper accounting records;

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Report of the Trustees and as a whole are fair, balanced and understandable;
- internal controls as Trustees determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with House of Commons Members' Fund Act 2016.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Fund's accounting policies.
- Inquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Fund's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Fund's controls relating to the Fund's compliance with the House of Commons Members' Fund Act 2016;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Fund for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Fund's framework of authority as well as other legal and regulatory frameworks in which the Fund operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental

effect on the operations of the Fund. The key laws and regulations I considered in this context included the House of Commons Members' Fund Act 2016.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and the Trustees concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of the Trustees; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements

Gareth Davies
27 March 2023

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

Financial Statements

Statement of Comprehensive Net Income for the year ended 30 September 2022

	Note	2021-22 £	2020-21 £
Contributions and Costs			
<i>Contribution's receivable:</i>			
Contributions from Members of Parliament		15,653	15,424
		<u>15,653</u>	<u>15,424</u>
Discretionary grants	3	(39,837)	(32,535)
Administrative expenses	4	(74,322)	(82,907)
Interest on long-term liability	9	(10,000)	(34,000)
		<u>(124,159)</u>	<u>(149,442)</u>
Net Contributions		<u>(108,506)</u>	<u>(134,018)</u>
Returns on Investments			
Investment income	5	131,639	114,533
Increase/(Decrease) in market value of investments	6	(1,583,487)	284,706
Net returns on investments		<u>(1,451,848)</u>	<u>399,239</u>
Net (expenditure)/ income		<u>(1,560,354)</u>	<u>265,221</u>
Other comprehensive net income/(expenditure)			
Decrease/(Increase) in long-term liability	9	136,000	1,871,000
Total comprehensive net (decrease)/ increase in the Fund		<u>(1,424,354)</u>	<u>2,136,221</u>

The notes on pages 20 to 25 form part of these accounts.

Statement of Financial Position as at 30 September 2022

	Note	2021-22 £	2020-21 £
Investments at market value			
Legal & General Index - Tracking Funds	6	<u>6,110,641</u>	<u>7,694,128</u>
		6,110,641	7,694,128
Current Assets	8	403,298	433,158
Current Liabilities	8	<u>(68,436)</u>	<u>(67,429)</u>
Net Current Assets		<u>334,862</u>	<u>365,729</u>
Total assets less current liabilities		6,445,503	8,059,857
Non-current liabilities			
Long-term liability	9	<u>(422,000)</u>	<u>(612,000)</u>
Total assets less liabilities		<u>6,023,503</u>	<u>7,447,857</u>
Equity			
General Fund		<u>6,023,503</u>	<u>7,447,857</u>

The notes on pages 20 to 25 form part of these accounts.

These financial statements were approved and authorised for issue by the Trustees on 23 March 2023 and signed on their behalf by

Clive Betts MP
Chair of the Managing Trustees

Statement of Changes in Equity

	Note	2021-22 £	2020-21 £
Balance as at 1 October		7,447,857	5,311,636
Net (Expenditure)/Income		(1,560,354)	265,221
Decrease/(Increase) in provision for long-term liability	9	136,000	1,871,000
Net (Decrease)/Increase in Equity		(1,424,354)	2,136,221
Balance as at 30 September		6,023,503	7,447,857

The notes on pages 20 to 25 form part of these accounts.

Notes to the Financial Statements

1. Basis of Preparation

The House of Commons Members' Fund Act 2016 requires the financial statements to be prepared in accordance with 'generally accepted accounting practice' which could be FRS 102 or International Financial Reporting Standards – "IFRS". The Trustees have agreed FRS102 to be the most suitable basis for preparation for the financial statements and adopted the small entity exemption not to prepare the Statement of Cash Flows.

FRS 102 requires the Trustees to prepare financial statements that recognise the assets and liabilities (including the long-term liabilities) arising from the payment of grants and discretionary benefits.

The Statement of Accounts summarises the fund's transactions for the 2021/22 financial year and its position as at 30 September 2022.

2. Accounting policies

The principal accounting policies are:

Going Concern

In accordance with FRS102, an entity is a going concern unless management either intends to liquidate or has no realistic alternative but to do so. When making this assumption, management consider all available information about the future, which is at least, but not limited to, twelve months from the date when the financial statements are authorised for issue. Management consider that the Fund is a going concern as there are sufficient funds to cover the liabilities due.

Contributions and Benefits

Contributions and benefits are accounted for in the period in which they fall due. A grant is recognised within the liability for the full obligation in the year in which it is approved.

Investment income and Valuation

In accordance with FRS102, investments are recognised at their fair value on the statement of financial position.

Investment income retained and automatically reinvested by accumulation funds is not accounted for as income. Changes in value, whether attributable to the reinvested income or growth in the value of the underlying securities, are included in the Statement of comprehensive net income. The change in the investment market values during the year includes profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

Units in pooled investment vehicles have been valued at the closing bid price as advised by the investment manager.

Administrative expenses

Administration expenses are accounted for in the period that they relate.

Financial Liabilities

The long-term liability is calculated by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with FRS 102. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 9. This estimate is subject to significant variances based on changes to the underlying assumptions. The preparation of the accounts requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Statement of Financial Position date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made considering historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimate.

3. Discretionary grants

During the 2021/22 accounting year, there was an increase in the level of discretionary applications made to, and granted by, the Fund amounting to £40k in total. During the 2020/21 accounting year, £30k had been granted.

4. Administrative expenses

	2021-22	2020-21
	£	£
Secretariat Staff Costs*	45,963	38,967
External Audit fee ¹	21,000	20,000
Actuarial fees**	6,942	23,604
Bank charges	417	336
	<u>74,322</u>	<u>82,907</u>

*Secretariat staff costs include other management costs which amounts to £18.41 (£728.88 in 2020/21).

** Actuarial fees were higher in the year 2020-21 as additional actuarial work on the funding position of the HCMF was undertaken in the year.

5. Investment income

	2021-22	2020-21
	£	£
Income from Legal and General Funds	<u>131,639</u>	<u>114,533</u>
	<u><u>131,639</u></u>	<u><u>114,533</u></u>

6. Investments at market value

	Value at 1st October 2021	Change in Market Value	Value at 30th September 2022
	£	£	£
UK Index Trust	1,456,739	(109,675)	1,347,064
All Stocks Index Linked Gilt Trust	2,738,081	(826,176)	1,911,905
Sterling Corporate Bond	1,938,554	(408,614)	1,529,940
Multi-Index Income 4 fund	1,560,754	(239,022)	1,321,732
Legal & General Index-tracker units	<u>7,694,128</u>	<u>(1,583,487)</u>	<u>6,110,641</u>

¹ The Comptroller and Auditor General does not provide any non-audit services.

7. Fair Value

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e. - developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. - for which market data is unavailable) for the asset or liability.

As at 30 September 2022 the funds invested in were Level 2.

Risk and Risk management

The Fund is exposed to a number of risks relating to market risk, interest rate risk, foreign currency risk, credit risk, liquidity risk, derivative risk and inflation risk.

The Fund's primary long-term risk is that the Fund's assets will not be sufficient to meet the payment of periodic grants paid to members (i.e., meet the liabilities) in full as they fall due. The primary objective of investment risk management is to reduce, or remove, the risk that the Fund's assets will be insufficient to meet the liabilities in full. In order to meet the risk management objective, strategic requirements for asset growth, income generation and capital preservation must be balanced. The Fund aims to minimise risk through asset diversification to reduce market risk exposure (price risk, interest rate risk) and credit risk to an acceptable level. The Trustees manage these risks as part of their overall risk management policy and made changes to their strategy during 2017 and 2018 due to the level of market risk, liquidity risk and cash flow risk exposure. This strategy was reviewed and accepted in 2019. The Trustees further reviewed the strategy in light of the pandemic as part of their investment strategy review and it was agreed that their investment strategy remained fit for purpose. The Trustees will consider whether to undertake an investment strategy review following the review of a actuarial funding update which should be requested in 2023.

8. Net current assets/liabilities

	2021-22	2020-21
	£	£
Current assets		
Contributions and benefits:		
Debtors and prepayments	6,012	9,304
Balance at bank – Current Account	397,286	423,854
	<u>403,298</u>	<u>433,158</u>
Current liabilities		
(Creditors due within one year)		
Contributions and benefits:		
<i>Administrative expenses:</i>		
Secretariat Staff costs	(45,944)	(38,429)
External Audit fee	(21,000)	(20,000)
Actuarial fees	(1,492)	(9,000)
	<u>(68,436)</u>	<u>(67,429)</u>
Net current assets	<u>334,862</u>	<u>365,729</u>

9. Long-term liability

i. This statement has been prepared by the Government Actuary's Department at the request of the Trustees of the House of Commons Members' Fund (HCMF). The Trustees have commissioned GAD to assess the liabilities of the fund in accordance with Financial Reporting Standard 102 (FRS102), and to prepare a statement for inclusion in the fund's accounts.

ii. The HCMF is a statutory trust, which was set up in 1939 before a pension scheme was established for Members of Parliament (MPs), to help former MPs and their dependants who had financial difficulty. Subsequent amendments allowed grants to be made to alleviate hardship, gave Trustees greater discretion and introduced regular grant payments to certain members who left the House of Commons before the Parliamentary Contributory Pension Fund (PCPF) was established.

iii. The statement is based on an assessment of the liabilities as at 30 September 2021 and 30 September 2022.

Membership Data

iv. Table A summarises the principal membership data as at 30 September 2018 and data that has been updated allowing for deaths and inflationary increases as at 30 September 2019, 30 September 2020, 30 September 2021 and 30 September 2022.

Table A – Grants in payment Data

Date	Number of members	Total grants in payment
30-Sep-22	20	£59,322
30-Sep-21	24	£87,907
30-Sep-20	28	£128,542
30-Sep-19	32	£138,337
30-Sep-18	35	£142,663

Methodology

v. The present value of the liabilities has been determined using the Projected Unit Credit Method, and the principal financial assumptions applying to the accounts.

vi. This statement takes into account the periodic grants currently payable by the fund. It also takes account of a settlement of liabilities during the year following a change in eligibility rules.

Principal financial assumptions

vii. The principal financial assumptions adopted to prepare this statement are shown in Table B.

Table B – Principal financial Assumptions

Assumption	30 September 2022 % a year	30 September 2021 % a year
Rate of return (discount rate)	5.45%	1.75%
Rate of CPI increases	3.10%	2.90%
Rate of return in excess of CPI increases	2.30%	-1.10%

Demographic assumptions

viii. The standard mortality tables known as S3NxA are used, with adjustments as used in the latest completed valuation of the Parliamentary Contributory Pension Fund (PCPF). Mortality improvements are in accordance with those incorporated in the 2020-based principal population projections for the United Kingdom.

Liabilities

ix. Table C summarises the assessed values as at 30 September 2021 and 30 September 2022 of the fund's liabilities based on the data, methodology and assumptions described in paragraphs i to ix. The corresponding figure for the previous year end is also included in the table.

Table C – Statement of Financial Position

	30-Sep-22	30-Sep-21
Total market value of assets	6,111,000	7,694,000
Value of liabilities	422,000	612,000
Surplus	5,689,000	7,082,000
 Movement in liabilities during the year		
	2021-22	2020-21
Liabilities at start of year	612,000	2,565,000
Current service cost	0	0
Benefits paid during the year	(64,000)	(116,000)
Interest on liability	10,000	34,000
Settlement	0	(1,880,000)
Changes in assumptions	(87,000)	9,000
Experience gains or losses	(49,000)	0
Liabilities at end of year	422,000	612,000

Sensitivity of results

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty the information below indicates the approximate effects on the actuarial liability as at 30 September 2022 of changes to the significant actuarial assumptions.

Table D shows the indicative effects on the total liability as at 30th September 2022 of changes in the rate of interest (or discount rate) and change in the members mortality.

Table D – Sensitivity to Main Assumptions

Change in assumption *	Approximate effect on total liability	
(i) discount rate ½% pa lower	2.7%	£11,000
(ii) members 1 year younger	4.2%	£18,000

*Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

In these sensitivity runs it is assumed that all assumptions, other than what is listed, remain the same.

10. Related party transactions

The Secretary to the Managing Trustees and the Secretariat staff also work for the Finance, Portfolio & Performance team, House of Commons who operate the House of Commons Members' Resource Account. The Fund reimburses the Finance, Portfolio & Performance team for the services of the staff, note 4 provides financial information.

The House of Commons incurred costs of £45,944.40 during the 2021-22 financial year, all of which remained payable at the close of the year.

The Trustees are made up of serving MPs and one former MP. Therefore, Trustees who are serving MPs make a monthly contribution to the Fund. While a former Member remains a Trustee, they or their dependants may not receive financial assistance from the Fund. In future once they are no longer Trustees, as former Members they or their dependants are all eligible to apply to the Fund for assistance.

There were no Trustees who were beneficiaries of the Fund during the accounting year.

There were no fees paid to Trustees during the accounting year.

Other than the related party transactions disclosed above, none of the Trustees, key management staff nor any other related party, has undertaken any material transactions with the Fund during the year.

11. Events after the reporting period date

There were no reportable events following the end of the reporting period.

The accounts were authorised for issue on the date of the Comptroller and Auditor General's signature.