

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

**Annual Report,  
Resource Accounts &  
Audit Committee Annual Report**

**2007-08**

***(for the year ended 31 March 2008)***

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# **House of Commons: Members Estimate**

**Annual Report**

**2007-08**

# House of Commons: Members Estimate 2007-08 Annual Report

## Introduction

1. This report sets out the main developments on the House of Commons Members Estimate during 2007-08 and draws attention to developments planned for 2008-09.

## Background

2. The activities of the House of Commons are funded by two Estimates, the House of Commons: Administration Estimate and the House of Commons: Members Estimate.

3. The Administration Estimate focuses on the administrative costs of running the House of Commons as an institution, covering the 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. This Estimate is entirely under the control of the House itself: the Estimate is approved by the House of Commons Commission and laid before the House by the Speaker.

4. In contrast, the focus of the Members Estimate is mainly on Members of Parliament as individual elected representatives. It provides for their remuneration, parliamentary allowances and IT equipment in support of them carrying out their work effectively. In governance terms the Members Estimate is unique in that it is laid by a HM Treasury Minister as part of the main government supply, but the accountability remains within the House of Commons. The Accounting Officer, advised by the Members Estimate Audit Committee, is accountable to the House.

## Developments during 2007-08

5. The most significant event during the year was that the House decided on 24 January 2008 to instigate a root and branch review of Members' allowances in the light of the changing public expectations about transparency and accountability of the arrangements in place for supporting MPs. It therefore decided not to implement immediately most recommendations of the report of the Senior Salaries Review Body, published in January 2008 (Cm 7270). The House referred decisions on allowances to the Members Estimate Committee (MEC) for advice on the complex inter-related issues, including a proposal for a central system for funding constituency offices and a corresponding reduction in the Incidental Expenses Provision. The House agreed to implement an increase to the Staffing Allowance from April 2008 which would provide resources for the equivalent of 3½ staff for each Member.

6. In the same debate, the House agreed to a motion to refer the issue of Members' pay to an independent reviewer, Sir John Baker CBE. The effect of the Resolution was to introduce a staged increase in Members' pay, backdated to 1 April 2007, while at the same time removing the existing uprating mechanism. Therefore, Members' pay did not increase from 1 April 2008.

7. Sir John Baker's report on MPs' pay was published on 17 June 2008 (Cm 7416), and the MEC's report on the outcome of their review of the allowances on 25 June 2008 (HC 578-1). They were debated in the House on 3 July 2008. The House accepted a Government motion on pay linking it in future to a formula based on a basket of public sector pay settlements. The SSRB will be responsible for notifying the Speaker of the annual increase. A number of changes to the allowances system were approved, including replacing the London Supplement with a new London Costs Allowance of £7,500 for Members who do not or are not eligible to claim Additional Costs Allowances (ACA); providing a new basis for the resettlement grant, and requiring all Members who wish to claim reimbursement under the Communications Allowance for publications costing over £1,000 to submit them to the Department of Resources for clearance in advance. Certain other recommendations were not accepted.

8. The decision of the House of 1 November 2006 and 28 March 2007 to introduce a Communications Allowance meant that the new allowance was available to Members from 1 April

2007. The allowance enables Members to communicate proactively with their constituents about their work as Members of Parliament. The allowance was available at a level of £10,000 per Member per year. In the first year of operation some £4.7m was claimed by Members from this allowance, an average of just over £7,000 per Member.

9. The Parliament (Joint Departments) Bill [HL] was introduced into the House of Lords on 23 January 2007. It completed its passage through Parliament on 19 July 2007 as the Parliament (Joint Departments) Act 2007 (Chapter 16, 2007). The Act allows the Corporate Officers of both Houses of Parliament (the Clerk of the House of Commons and the Clerk of Parliaments) to establish Joint Departments of both Houses. The purpose of the Act was to allow for the formal establishment of PICT (Parliamentary Information and Communications Technology) as a joint department. The Act also allows the two Clerks to establish other Joint Departments without further legislation. The changes will affect mainly the Administration Estimate but, as PICT also provides computer equipment for Members and their staff from the Members Estimate, the governance arrangements in this area may need to be adapted in due course.

#### Work of the Members Estimate Committee

10. The MEC<sup>1</sup> met on thirteen occasions in the course of the financial year. As noted above, a motion introducing a review of Members' allowances was passed by the House on 24 January 2008. The motion referred the matter to the MEC. Three Members of the MEC – Sir Stuart Bell, David Maclean and Nick Harvey – took on the detailed task of reviewing the allowances. They met six times during the course of the report year. The Committee reported to the House on 24 June 2008 (see paragraph 7).

11. The MEC has made public minutes of its meetings on the allowances review and has to date published three reports. As a result of one of these, *Review of Members' Allowances, Threshold for receipts*, Members from 1 April 2008 have to provide receipts for any items of expenditure of £25 or over. This is a considerable reduction from the previous level of £250.

12. During the year the MEC also considered ongoing issues relating to the Communications Allowance and the Committee approved arrangements for the fourth annual publication in October 2007 of details of expenditure on allowances and entitlements attributable to individual Members, in accordance with the House's scheme of publication under the Freedom of Information Act. The Committee also gave guidance to officials on handling requests for information on Members' allowances made to the House Administration under the Freedom of Information Act, and on appeals against non-disclosure (see paragraph 21 below).

#### Work of the Advisory Panel on Members' Allowances

13. The Advisory Panel on Members' Allowances was set up (as the Speaker's Advisory Panel) in 2001 to advise the Speaker on the application of the allowances and arrangements for the provision of IT and training. The Panel continues with this role, but now advises the MEC.

14. The Advisory Panel<sup>2</sup> held nine substantive meetings during the year and advised on a number of issues. These included the reviews of allowances undertaken by the Senior Salaries Review Body and the Members Estimate Committee, the Communications Allowance, information technology provision, and training for Members' staff.

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<sup>1</sup> At 31 March 2008 the Members Estimate Committee comprised the Speaker (the Rt Hon Micheal J Martin MP) (in the chair), the Rt Hon Harriet Harman QC MP, the Rt Hon Theresa May MP, Sir Stuart Bell MP, Nick Harvey MP, and the Rt Hon David Maclean MP.

<sup>2</sup> As at 31 March 2008 the membership of the Panel was as follows: the Rt Hon John Spellar MP (in the chair); Alistair Carmichael MP; Helen Goodman MP; the Rt Hon Michael Jack MP; the Rt Hon Thomas McAvoy MP; Kali Mountford MP; and John Randall MP

### Training for Members' staff

15. During 2007-08, Members' staff were offered a number of IT and general training courses. These are provided free of charge to all employees of Members who are paid from the Staffing Allowance. Members may also attend. The total cost of providing courses in 2007-08 was some £105,000 and nearly 500 Members' employees attended 71 courses during the year. Training offered included a very popular induction day on dealing with difficult and potentially violent visitors and IT applications such as spreadsheets and desktop publishing.

16. As in previous years, training courses were offered both in and outside London. Members' employees who attend such courses can reclaim reasonable travel costs.

17. The contract with WWP Training Ltd to provide training for Members' staff came to an end during the year. A procurement exercise took place for a new contract, which will be let during 2008-09. Input to this process was from the Department of Resources, the Department for Information Services and PICT. As well as continuing with face-to-face courses, the contract will stipulate the introduction of distance learning techniques to help those Members' staff unable to attend centrally-delivered courses.

18. During the year the House continued to sponsor the website [www.w4mp.org.uk](http://www.w4mp.org.uk), which provides information for Members' staff about working for an MP, including training available, and advertises job opportunities with Members.

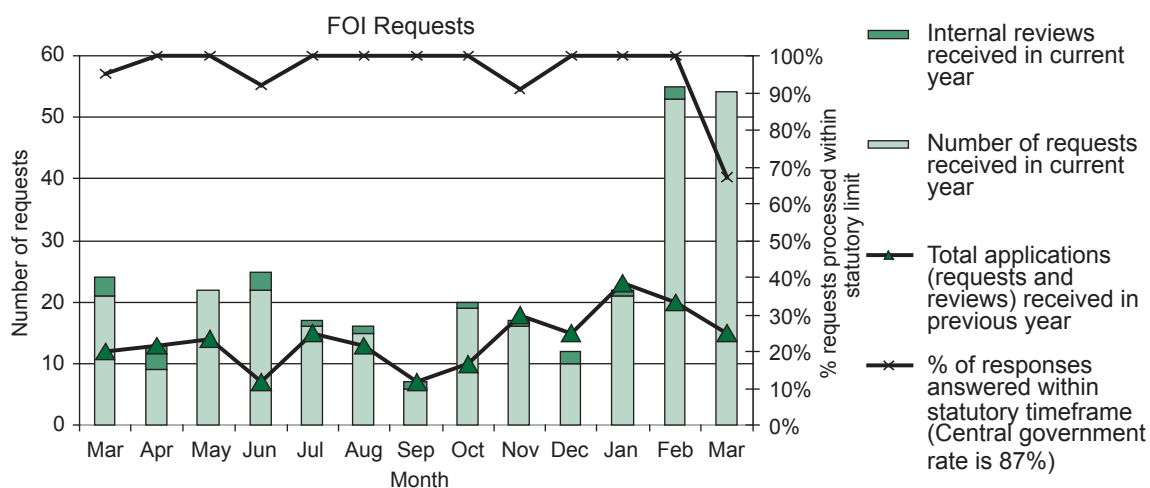
### Pension provision for Members' staff

19. Since November 2003, Members' employees have automatically joined the Portcullis Pension Plan, a stakeholder pension arrangement organised by the House on behalf of Members. It is not compulsory and Members' staff can opt out if they wish.

20. The Plan provides for a pension contribution paid by the House equivalent to 10 per cent of the employee's earnings. Each employee decides how this is split between the two providers, Norwich Union and AXA Sun Life, and how the funds are invested. Employees can also make voluntary contributions if they wish. In addition, all the members of the Plan benefit from death in service cover of twice their salary. When the Plan was first set up, a small group of employees who met certain criteria were allowed to stay with their existing providers. Currently the pension take up rate is over 99 per cent of eligible employees.

### Freedom of Information (FOI)

21. In the Financial year 2007-08, 131 requests for information about Members' allowances were received of which 103 were dealt with within the statutory time limit of 20 days. This was largely due to the steep increase (at least 3 times the number of requests received in the corresponding period the previous year) in the number of requests received in the first 3 months of 2008.



22. During 2007-08 three FOI cases were referred to the Information Commissioner. Nine Decision Notices were issued by the Information Commissioner's Office of which two resulted in disclosure of information on seven MPs. Four cases were referred to the Information Tribunal and resulted in an appeal by the House to the High Court, which was dismissed.

23. A written answer from the House of Commons Commission on 3 April 2008 announced that information would be released by category about the expenses of all Members in the autumn of 2008, for the years 2004-05 to 2007-08. For the future, information compiled on a similar basis will be released quarterly, starting with the information relating to the first quarter of 2008-09 (April to June). This release of information will also begin in the autumn. Following recent judgements by the High Court the level of detailed information will be considerable. The cost of implementation is estimated to be £950,000.

24. An extensive review of the House of Commons Members' Fund (HCMF) and its governing legislation was jointly sponsored by the Members' Estimate Audit Committee and the HCMF Trustees. A report was commissioned from John Stoker (formerly Chief Charity Commissioner) and Lord Burnett (a former Trustee) and was finalised in April 2007. The MEC considered the report in November 2007 and agreed the following.

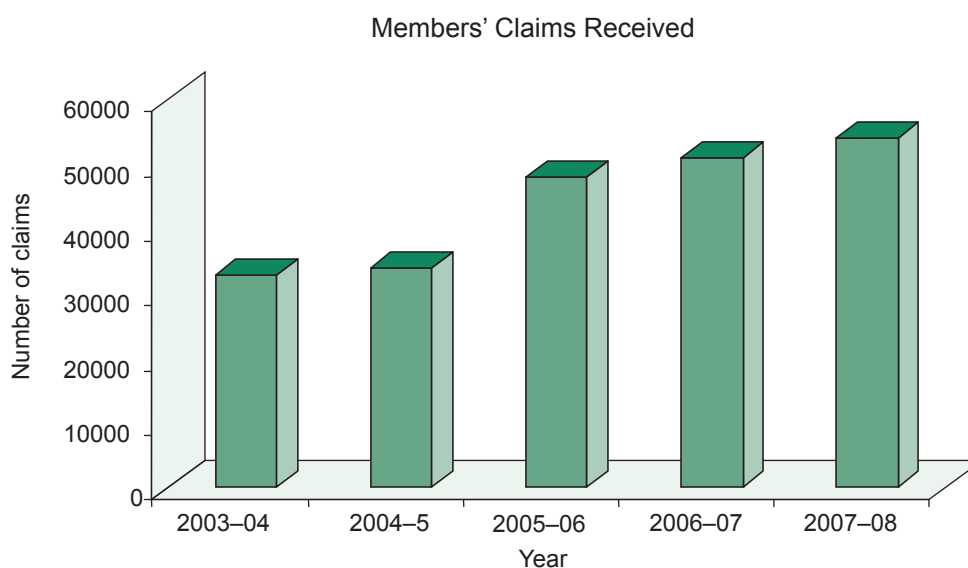
- (i) The Fund will be divided to fulfil two functions:-
  - the Trustees will continue to oversee the benevolent function with resources sufficient to meet future hardship payments. The balance of the Fund not needed for the benevolent function will be repaid to the Exchequer;
  - The Exchequer will assume responsibility for the 'as of right' grants and retain the annual payment to the Fund of £215,000.
- (ii) The sum to be returned to the Exchequer from the HCMF is around £1 million.
- (iii) The Fund will continue on a statutory basis and if possible primary legislation will be used to restructure the Fund. An objective will be to simplify the Fund's governing legislation.

The Trustees along with their appointed officials will be taking steps to implement the agreed proposals.

### Trends and developments

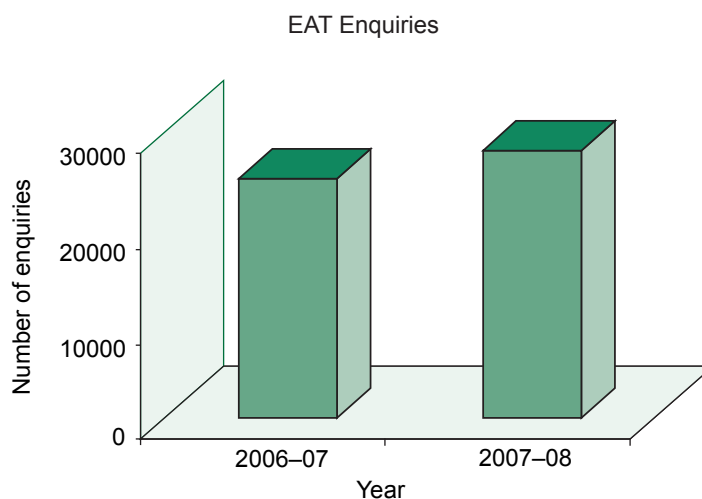
#### *(i) Members' claims*

25. During the year the Department of Resources processed over 54,000 claims from Members for Additional Costs Allowance (ACA), Incidental Expenses Provision (IEP) and Communications Allowance (CA). This represents an increase in the number of claims over the previous year of 6 per cent. The increase in claims is largely accounted for by the introduction of the Communications Allowance.



*(ii) The Enquiries and Advice Team*

26. The Enquiries and Advice Team (EAT), a telephone service desk set up during 2005, continued to respond rapidly to Members' enquiries. During 2007-08, EAT received over 28,000 calls from Members and answered 98 per cent of them first time, well above the target of 95 per cent. The Survey of Services showed Members' satisfaction with the performance of EAT to be very high.



*(iii) Members' travel*

27. The number of individual transactions totalled 41,208 (32,412 in 2007-08) and the total value of these transactions was £6.2m. Nearly all Members now use their corporate travel cards, introduced following the withdrawal of travel warrants. There continue to be some transitional issues, mainly around securing Member validation of credit card statements; the Department of Resources continues to make progress in dealing with these issues.

28. Members continued to be encouraged to make greater use of the Parliamentary Travel Office in order to benefit from the advantageous air fares that they have negotiated. In addition, Members have been encouraged to purchase railcards where available and to book journeys well in advance to help reduce overall travel costs. These costs will continue to be monitored closely in 2008-09.

*(iv) Members' staff*

29. The number of Members' staff on the payroll has increased significantly since 2001 as a result of the introduction of the Staffing Allowance. It is expected to increase again in 2008-09 because of the increase to the Staffing Allowance mentioned in paragraph 6 above. As at 31 March 2008 the number of permanent staff was 2,359, a slight decline in the equivalent number on the same day in the previous year.

*(v) ICT services*

30. Members are entitled to a set of loaned computer equipment, funded from the Estimate. Members can also use their allowances to purchase additional equipment that is configured to ensure its compatibility with parliamentary systems. Responsibility for providing this equipment and connecting it to the Parliamentary Network falls to the Parliamentary Information and Communications Technology Directorate (PICT).

31. During this financial year the Administration Committee completed an inquiry into ICT services for Members. Their report 'Information and Communication Technology Services for

Members' (HC 498) was published in May 2007 and the House of Commons Commission's formal response to it (HC222) was published in January 2008. The Committee made 39 recommendations in their report all of which received the endorsement of the Commission. Since that time PICT has prepared and agreed an ICT "roadmap" for Members based on the Committee's recommendations. The roadmap will provide the basis and focus for PICT to develop and enhance ICT services to Members over the course of the next 2 to 3 years. During the remainder of the 2007-08 financial year PICT was able to address and implement 17 of them. The Committee's report emphasised that maintaining the integrity and security of the Parliamentary Network remains an overriding requirement and responsibility of PICT and that PICT should seek to introduce an extra flexibility to services where possible given those overriding requirements.

32. Some of the new services which have been introduced since the Commission's response include: second email accounts for Members, larger mailboxes for the primary mail account, private ADSL in Members' offices, promotion of audio conferencing, mobile computing, the introduction of wi-fi zones in communal areas on the Estate and the production of a performance report for review at the Administration Committee. In addition to this the management of Members ICT services has been improved.

#### Future developments

33. The MEC will be reviewing reports on:

- the detailed implementation of the review of Members' allowances. The changes approved by the House will need to be reflected in a new edition of the Green Book which is planned for April 2009;
- how the autumn publication of Members' allowance expenditure as part of the FOI publication scheme will reflect the decisions of the Information Commissioner and Information Tribunal;
- the implications of freedom of information cases and in particular the effect of the appeal to the High Court;

34. A new Members' Centre was launched in July 2008 on the ground floor of Portcullis House (in the present e-Library). It is a cross-departmental service point for Members and their staff. It is intended to make the work of Members and their staff easier by bringing together in one location access to a wide range of the services provided by the House. Staff of the Centre will aim to help Members and their staff with any issue or inquiry that they may have, and either resolve it themselves or direct them to someone who can.

35. The Members' Centre is one of the ways in which the Management Board is seeking to improve service to Members and their staff. Users will be encouraged to provide feedback which will be crucial in establishing how the House service can further improve both the Centre and wider services.



**House of Commons:  
Members Estimate  
Resource Accounts  
2007-08**

## Foreword to the Accounts

For the year ended 31 March 2008

### Scope of the accounts

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This Supply Estimate primarily supports Members of Parliament in discharging their parliamentary duties and responsibilities.

### Purpose

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The Estimate remunerates and supports Members of the House of Commons in discharging their duties and responsibilities in the constituency, in Parliament and elsewhere by funding parliamentary salaries and associated pension contributions, reimbursing certain expenses incurred by Members (including travel, office costs, staff and equipment), payment of insurance, central provision of IT equipment, provision of training for Members and their staff, and other associated costs and non-cash items. It also provides financial assistance to Opposition parties to support them in the discharge of their parliamentary or representative functions; and it provides the Exchequer contribution to the Members' Fund.

### Objectives

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The objectives of the House of Commons: Members Estimate are as follows:

- a. To put elected Members of Parliament in a position to conduct their work on behalf of their constituents by meeting:
  - salary and related costs of Members and their staff;
  - certain expenses incurred in connection with their duties;
  - appropriate travel costs of Members, their staff, and their families;
  - centrally provided services including insurance, computers and other IT equipment, help for Members with disabilities, litigation, security, and training for staff.
- b. To put Opposition parties in a position to conduct their parliamentary business effectively.
- c. To provide an annual grant to the Members' Fund to assist former Members and their dependants.

### Activities

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All monies paid to Members of Parliament through the Estimate are governed by Resolutions of the House. These Resolutions are debated and agreed on the floor of the House of Commons. Members are individually accountable for their decisions and actions in approving and claiming their pay and allowances. The Estimate provides for the following services:

- *Members' Parliamentary salaries* are paid to all Members who have taken the oath (Ministerial salaries are paid by the relevant Department of State);
- *Staffing Allowance* pays for the equivalent of up to three full-time members of staff;
- *Incidental Expenses Provision (IEP)* covers a range of office and other expenditure, to the extent that it is not met by other aspects of provision;

- *Additional Costs Allowance (ACA)* reimburses Members for expenses recently incurred when staying overnight away from their main home whilst performing their duties. Members with inner London constituencies are not entitled to ACA, but are paid a London supplement;
- *Communications Allowance (CA)* allows Members to proactively communicate with their constituents, and is used typically to produce newsletters, annual reports and pay for Parliamentary websites;
- *Travel expenses* reimburse Members and their staff for expenditure incurred when travelling in the pursuit of their official duties. There is also some provision for travel by family members. Although there are no restrictions on the number of journeys Members may undertake, families and staff are restricted according to the rules laid down in Resolutions of the House;
- *Staff pensions* are provided up to a maximum of 10% of an employee's earnings over the period of employment, but subject to an overriding limit of 10% of the Staffing Allowance for each Member;
- A *Resettlement Grant* is payable to any Member who leaves the House of Commons at a General Election. The amount of the grant varies according to salary, age and length of service at the time of the dissolution of the House;
- *Winding-up Allowance* is payable to meet the costs of any official work undertaken on behalf of a deceased, defeated or retiring Member after the date on which they cease to be a Member of Parliament. All other allowances cease on this date;
- *Financial Assistance to Opposition Parties ("Short Money" and "Representative Money")* is available to help Opposition parties to carry out their parliamentary business;
- The *General Services Budget* provides IT equipment for use by Members, communications, training, various insurances and other incidental expenditure.

During the year each Member was able to draw on a Staffing Allowance of £90,505, an Incidental Expenses Provision of £21,339, an Additional Costs Allowance of £23,083 and a Communications Allowance of £10,000.

### Management Commentary

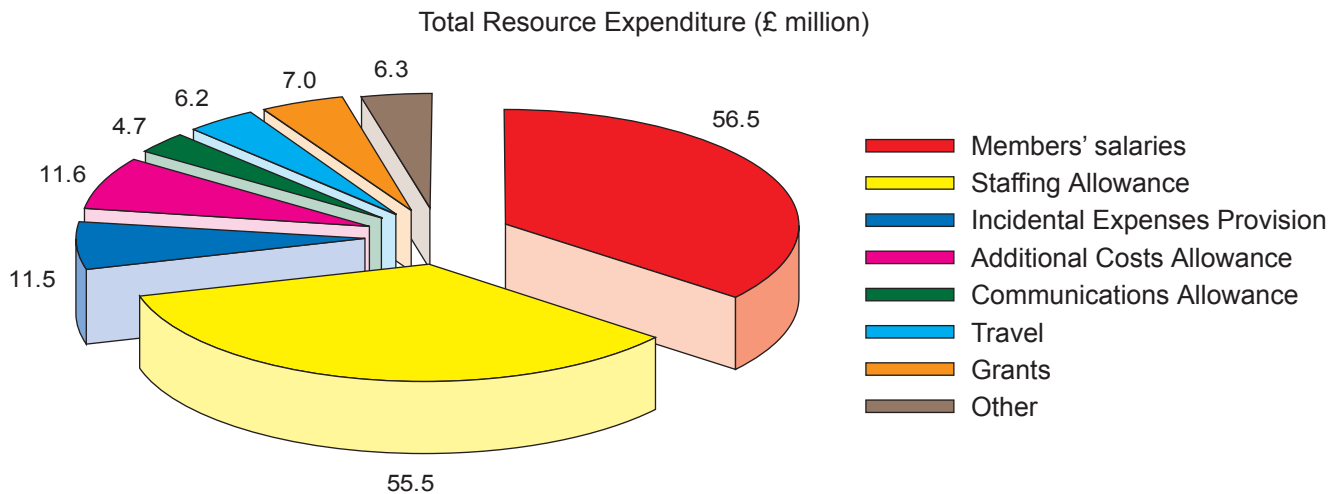
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The net resource outturn of £159.3 million against an Estimate of £169.6 million gave rise to a resource underspend of £10.3 million (6.0%) for the year.

Variances between the Estimate and outturn arose because spending is at the discretion of Members of Parliament and does not always follow historic trends. These included underspends against the Staffing Allowance (£1.0 million: 1.8%), Incidental Expenses Provision (£2.1 million: 15.6%), and the Additional Costs Allowance (£2.0 million: 14.5%). A particular difficulty in 2007-08 was estimating the take up of the new Communications Allowance, which in the event was £1.8 million (27.3%) less than planned in the Estimate.

A corresponding net cash outturn of £160.0 million against an Estimate of £170.7 million resulted in a cash underspend of £10.7 million (6.2%). Again, this underspend represents lower than planned levels of allowance claims, as well as those claims submitted after the year end which were accrued prior to being paid in 2008-09.

Further details on activities during 2007-08 are provided in the Members Estimate Annual Report which precedes these accounts.



#### Members' pensions

All Members are entitled to join the Parliamentary Contributory Pension Fund (PCPF). The scheme is a defined benefit scheme funded by contributions from Members and the Exchequer. The scheme is governed by nine trustees appointed by the House of Commons and one nominated by the Association of Former Members. The administration of the PCPF pension scheme is undertaken by an external organisation, rpm.

The adoption of the accounting standard on retirement benefits (FRS17) requires the House of Commons: Members accounts to recognise the surplus or deficit expected to arise from future pension commitments.

The Government Actuary is responsible for reporting on the financial position of the PCPF on a three-yearly basis. The most recent valuation report from the Government Actuary was published on 30 March 2006 and recommended that the Exchequer contribution should rise from 24% to 26.8% of salary. This was put in place from 1 April 2006 and includes a contribution of 8.7% to finance the deficit under the scheme.

The Review Body on Senior Salaries (SSRB), as part of its current review of Parliamentary pay and allowances, was asked by the Government to review "aspects of the benefits and funding of the PCPF". In its evidence to the SSRB the Government elaborated on the areas it wanted the SSRB to consider further including:

- the outstanding cost of the previous improvement in the accrual rate;
- the possible removal from the PCPF regulations of the provision relating to "retained benefits" (whereby benefits built up in other pension schemes are taken into account when assessing the maximum benefits payable to the Member); and
- an approach to the funding of the PCPF which ensures that the scheme remains affordable, and which is fair to both the Exchequer and Member.

The SSRB report was published in January 2008. The report made a number of recommendations in relation to the PCPF. Recommendation 6 proposed that members with retained benefits should be allowed to opt for a 1/60<sup>th</sup> accrual rate in return for reduced contributions. Recommendations 7, 8 and 9 related to the future financing and sustainability of the Fund. The House endorsed in principle

recommendations 7, 8 and 9, and endorsed the change to the scheme rules outlined in recommendation 6 if it could be implemented in conjunction with changes identified by the Trustees which produce sufficient offsetting savings to be cost neutral.

The accounts of the PCPF are published separately; copies can be obtained from the Department of Resources.

### The Members' Fund

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*The Members' Fund* provides for ex-Members and their dependants who find themselves in difficult circumstances. It also pays certain "as of right" benefits. 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; copies can be obtained from the Department of Resources.

### Governance

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The governance arrangements for the Estimate are set out in a statement of Roles and Authorities dated June 2004.

All monies paid to Members of Parliament through the Estimate are governed by Resolutions of the House. Arrangements for expenses and allowances paid under the Estimate are overseen by the Members Estimate Committee which has the same membership as the House of Commons Commission.<sup>1</sup>

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 Estimate for House of Commons: Members;
- 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.

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.

### Public interest

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There were 646 elected members of the House as at 31 March 2008. The House is self-governing and constitutionally separate from the Government. The House seeks to maintain good practice in all employment and business matters. In particular it is committed to the principles of diversity and equality of opportunity, and to the prompt payment of bills.

The House of Commons has a target of paying all Members' claims within ten working days of receipt. Third party payments to statutory bodies and external suppliers are paid by the statutory due date, or wherever possible within 30 days of invoice date whichever is sooner.

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<sup>1</sup> At 31 March 2008 the Members Estimate Committee comprised the Speaker (the Rt Hon Michael J Martin MP) (in the chair) the Rt Hon Harriet Harman QC MP, the Rt Hon Theresa May MP, Sir Stuart Bell MP, Nick Harvey MP, the Rt Hon David Maclean MP.

**Auditors**

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The Comptroller and Auditor General currently audits the Resource Accounts of the House of Commons.

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

**Going concern**

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The Balance Sheet at 31 March 2008 shows negative Taxpayers' Equity of £107.2 million. This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament, to meet the House of Commons Members 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. All unspent monies, including those derived from income, are surrendered to the Fund.

The future financing of the House of Commons: Members liabilities therefore have to be met by future grants of Supply approved annually by Parliament. Approval for those amounts required in 2008-09 has already been given and there is no reason to believe that future approvals will not be forthcoming. It is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

**Malcolm Jack**  
**Accounting Officer**

**14 July 2008**

## Statement of Accounting Officer's Responsibilities

Although the Estimate for the House of Commons: Members is laid by the HM Treasury 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 resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs, the net resource outturn, recognised gains and losses and cash flows for the financial year. Members are responsible for the regularity and propriety of claims submitted.

The Accounting Officer is responsible for the House of Commons financial reporting arrangements. He should ensure that the resource 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 broadly as set out in *Managing Public Money* published by HM Treasury.

## Statement on the System of Internal Control

### Scope of responsibility

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

### Purpose of the system of internal control

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The system of internal control is designed to manage rather than eliminate risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.

A system of internal control has been in place in the House of Commons for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts.

### Control framework and management of risk

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The framework of rules governing the administration of Members' allowances is drawn from Resolutions of the House of Commons. The framework is based on the principle that Members are primarily responsible for identifying, claiming and certifying their own expenditure. The Department of Resources is responsible for ensuring that the stated purpose of Members' claims falls within the agreed framework. The controls on expenditure therefore ensure that payments are correctly accounted for and paid to the correct recipient; but it is primarily the responsibility of Members to ensure the regularity and propriety of expenditure for which they claim reimbursement.

The Green Book, supported by the Resource Framework and other guidance, sets out the procedures and controls including where responsibilities rest. In support of these instructions there is a framework of regular management information and procedures which include:

- the planning and agreement of an annual budget;
- internal controls, including segregation of duties, governing transaction processing;
- resource accounting policies and procedures; and
- the preparation of regular financial reports which indicate actual expenditure against the forecasts.

The Members Estimate Committee takes responsibility for oversight of the allowance system. The Committee, whose Members are the same as those of the House of Commons Commission, has the authority to agree minor changes to the Resolutions but it may not approve increases in the rates payable or new forms of charge. The Members Estimate Committee appoints the Members Estimate Audit Committee to advise me in my role as Accounting Officer. During the year its membership comprised of two Members of Parliament, who were members of the House of Commons Commission, and two external non-executive members. An additional Member of Parliament and a further external Member will be appointed in 2008-09. The external members and Members of Parliament are independent.

Financial assistance to Opposition parties is paid in accordance with Resolutions of the House. These Resolutions require each recipient party to certify, through an external auditor, that expenditure has been incurred exclusively in relation to the party's parliamentary or representative business.

The House of Commons has an Internal Audit (IA) function which operates broadly to standards defined in the Government Internal Audit Manual. It was incorporated into the Office of the Chief

Executive, having previously being attached to the former Department of Finance and Administration, as part of the re-structuring of the House service on 1 January 2008. The work of the IA function is informed by the analysis of risk to which the House of Commons is exposed, and annual internal audit plans are based on this analysis. At least annually, the Director of IA provides me with an independent report on the related activity within the House of Commons service. The report includes his opinion on the adequacy and effectiveness of the House of Commons system of internal control.

### **Review of effectiveness**

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

My review of the effectiveness of the system of internal control is informed by the work of IA and the administrative staff of the House of Commons, who have responsibility for the development and maintenance of the control framework, and comments made by the external auditors in their management letter and other reports. The Director General Resources provides me with an annual letter of assurance on the management of procedures and controls, as well as risk, in the Department of Resources. The Members Estimate Audit Committee takes a close interest in the work of internal audit, with particular emphasis on promoting economy, efficiency and effectiveness, risk assessment and internal control. The Director General of Resources and I regularly attend the meetings of the Audit Committee.

The IA work programme over the last two years has provided a high level of assurance for the financial process administered by the Department of Resources. Members remain responsible for the regularity and propriety of the expenditure for which they claim reimbursement. Providing clear guidance to Members on the documentation to be maintained is an important means of ensuring continued assurance and will be addressed when the Green Book is next updated.

During the year the Security Coordinator led a review of existing procedures and controls for managing the security of electronic information held by the House service. Although no breaches of data security were reported in the year, the review recommended further initiatives to strengthen data security further. These are being taken forward under the guidance of a newly appointed Senior Information Risk Owner (SIRO) alongside the lessons learnt from the recent Government review of data security undertaken elsewhere.

As far as controls over expenditure are concerned and in light of the work carried out by the IA, I am satisfied as to the general adequacy of the internal control system within the ambit of the House of Commons Members Estimate.

**Malcolm Jack**  
**Accounting Officer**

**14 July 2008**

## Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the House of Commons: Members for the year ended 31 March 2008. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, and the Cashflow Statement 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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The Accounting Officer is responsible for preparing the Foreword and the financial statements in accordance with the House of Commons Financial Reporting Manual and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

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

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

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

As set out in the Statement on Internal Control, the framework of rules governing the administration of Members' allowances is drawn from Resolutions of the House of Commons. The framework is based on the principle that Members are primarily responsible for identifying, claiming and certifying their own expenditure on allowances. The House of Commons Service (the Department of Resources) is responsible for ensuring that the stated purpose of Members' claims falls within the agreed framework. The controls on allowance expenditure, therefore, ensure that payments are correctly accounted for and paid to the correct recipient; but it is primarily the responsibility of Members to ensure the regularity and propriety of expenditure for which they claim reimbursement. My audit of these allowances considers whether payments from the House of Commons: Members Estimate are supported by Members' claims, whether the purpose of the expenditure stated on the claims meets that of the relevant allowance, and whether the House of Commons Service (the Department of Resources) have properly accounted for these claims.

As further set out in the Statement on Internal Control, financial assistance to opposition parties is paid in accordance with Resolutions of the House of Commons. These Resolutions require each recipient party to certify, through an external auditor, that expenditure has been incurred for Parliamentary purposes. My audit of these amounts considers whether payments to recipients are in line with the Resolutions, whether the House of Commons Service has properly accounted for these amounts and received certificates from external auditors, in accordance with the Resolutions, which confirm that expenditure has been incurred for Parliamentary purposes.

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

### **Basis of audit opinions**

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

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

### **Opinions**

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#### **Audit Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the House of Commons Financial Reporting Manual of the state of the House's affairs as at 31 March 2008 and the net cash requirement, net resource outturn, recognised gains and losses and cashflows for the year then ended;
- the financial statements have been properly prepared in accordance with the House of Commons Financial Reporting Manual; and
- information given within the Foreword is consistent with the financial statements.

#### **Audit Opinion on Regularity**

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

### **Report**

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I have no observations to make on these financial statements

**T J Burr**  
**Comptroller and Auditor General**

**16 July 2008**

**National Audit Office**  
**151 Buckingham Palace Road**  
**Victoria**  
**London**  
**SW1W 9SS**

## Statement of Parliamentary Supply

### Summary of Resource Outturn

For the year ended 31 March 2008

Request for Resources	Estimate			Outturn			Net Total Outturn compared with Estimate: saving/(excess) <sup>1</sup>	2006-07 Net Total
	Salaries & other costs	Grants	Net Total	Salaries & other costs	Grants	Net Total		
	£000	£000	£000	£000	£000	£000		
Members' salaries, Allowances and Other costs	162,532	7,078	169,610	152,267	7,043	159,310	10,300	155,990
Total resources	162,532	7,078	169,610	152,267	7,043	159,310	10,300	155,990
Non-operating cost A in A	(2)		(2)	(1)		(1)	(1)	(2)

### Summary of net cash requirement 2007-08

	Note	Estimate	Outturn	Net Total Outturn compared with Estimate: saving/(excess) <sup>1</sup>	2006-07 Outturn
		£000	£000	£000	£000
Net cash requirement	3	170,658	159,989	10,669	155,496

### Summary of income payable to the Consolidated Fund.

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

	Note	Forecast 2007-08		Outturn 2007-08	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Total income payable to the Consolidated Fund	4	-	-	55	55

<sup>1</sup> Explanations of variances between the Estimate and Outturn are given in the Management Commentary (Page 13).

The Notes on pages 26 to 40 form part of these Resource Accounts.

**Operating Cost Statement**

for the year ended 31 March 2008

	Note	2007-08		2006-07
		Salary & related costs £000	Other Costs £000	Income £000
<b>Programme Costs</b>				
<b>Members' salaries, allowances and other costs</b>				
Members' salaries	6	44,510		43,423
Members' pensions	6	12,000		11,485
Other costs	7		95,757	94,527
Grants to other bodies	7		7,043	6,555
<b>Totals</b>		<b>56,510</b>	<b>102,800</b>	<b>-</b>
<b>Net Operating Cost</b>			<b>159,310</b>	<b>155,990</b>

**Statement of Recognised Gains and Losses**

for the year ended 31 March 2008

	Note	2007-08 £000	2006-07 £000
Gain/(loss) on pension liabilities due to changes in actuarial assumptions	13	7,700	33,500
<b>Total gains and losses recognised since last annual accounts</b>		<b>7,700</b>	<b>33,500</b>

The Notes on pages 26 to 40 form part of these Resource Accounts.

**Balance Sheet**

as at 31 March 2008

	Note	2007-08		2006-07	
		£000	£000	£000	£000
<b>Fixed assets:</b>					
Tangible assets	8	1,255		1,918	
Intangible assets	9	-		5	
			<b>1,255</b>		<b>1,923</b>
<b>Current assets:</b>					
Debtors	10	680		388	
Cash at bank and in hand	11	256		259	
		<b>936</b>		<b>647</b>	
Creditors (amounts falling due within one year)	12	<b>(11,400)</b>		<b>(11,177)</b>	
<b>Net current liabilities</b>			<b>(10,464)</b>		<b>(10,530)</b>
<b>Total assets less current liabilities</b>			<b>(9,209)</b>		<b>(8,607)</b>
Provisions for liabilities and charges	13	<b>(97,943)</b>		<b>(103,143)</b>	
			<b>(97,943)</b>		<b>(103,143)</b>
			<b>(107,152)</b>		<b>(111,750)</b>
<b>Taxpayers' equity:</b>					
General Fund	14		(107,152)		(111,750)
			<b>(107,152)</b>		<b>(111,750)</b>

**Malcolm Jack**  
Accounting Officer

14 July 2008

The Notes on pages 26 to 40 form part of these Resource Accounts.

**Cash Flow Statement**

for the year ended 31 March 2008

		<b>2007-08</b>	<b>2006-07</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
Net cash outflow from operating activities	15a	(159,939)	(153,779)
Capital expenditure and financial investment	15b	(50)	(1,717)
Receipts due to the Consolidated Fund which are outside the scope of House activities	4	55	28
Payments of amounts due to the Consolidated Fund		(59)	(46)
Financing <sup>1</sup>	15d	159,990	155,593
<b>Increase/(decrease) in cash in the period</b>	15e	<b>(3)</b>	<b>79</b>

<sup>1</sup>The amount of grant actually issued to support the net cash requirement equalled £159,990,000

The Notes on pages 26 to 40 form part of these Resource Accounts.

## Notes to the Resource Accounts

### 1. Statement of accounting policies

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

In addition to the primary statements prepared under UK GAAP, another primary statement is prepared. The *Statement of Parliamentary Supply* and supporting Notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

#### 1.1 Accounting convention

These financial statements are prepared on an accruals basis under the historical cost accounting method.

#### 1.2 Tangible fixed assets

IT equipment will not be re-valued if the revaluation adjustments do not have a material impact upon the figures. In 2007-08 IT equipment purchases were valued at historic cost. IT equipment that is attributable to specific workstations is grouped and capitalised.

#### 1.3 Depreciation

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 IT Equipment is deemed to be 4 years.

#### 1.4 Intangible fixed assets

Intangible fixed assets comprise extended warranty covers and software licences purchased through the Members' Central IT provision (CIT). These assets are amortised over the life of the warranty or the life of the hardware on which it is installed.

#### 1.5 Investments

There are no short term current investments.

#### 1.6 Stocks and work in progress

No stocks are held and there is no work in progress.

#### 1.7 Research and development

There is no research and development activity.

#### 1.8 Operating income

No operating income is anticipated or collected under the Estimate. However, if a Member was found to have been overpaid on an allowance then the debt would be recovered either directly by cash payment, by delaying costs to be claimed until a later allowance period, or through reducing the subsequent year's allowance. Any cash receipts over and above those identified as debts at the year end are surrendered to the Consolidated Fund. Receipts of insurance payments for lost or damaged IT equipment are surrendered to the Consolidated Fund.

## 1.9 Capital charge

A charge, reflecting the cost of capital utilised, is calculated at the HM Treasury standard rate of 3.5% on all assets (except cash balances with the Paymaster General) less liabilities. There is negative capital charge to the accounts in 2007-08 because the net liabilities exceed the value of the assets.

## 1.10 Foreign exchange

Those transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction. There were no foreign exchange transactions during 2007-08.

## 1.11 Pensions

Members of Parliament receive a pension from the Parliamentary Contributory Pension Fund (PCPF). The scheme is a defined benefit scheme based on final salary and is funded by contributions from Members and the Exchequer. As at 1 April 2002 this was based on an accrual rate of 1/50<sup>th</sup> for every year of service subject to a maximum of 33 1/3 years. The Parliamentary Pension (Amendment) Act 2002 gave Members the option, on an individual basis, to increase the accrual rate from 15 July 2002 to 1/40<sup>th</sup> of final pensionable pay for each year of service if they increased their personal contribution from 6% to 9% of pay.

The Government Actuary determines the amount the Exchequer pays after each triennial valuation of the fund. The rate of contribution in 2007-08 was 26.8% of salary per member of the PCPF.

The maximum pension available at 65 is 2/3 of final salary. There is an option to commute part of the pension for a tax-free lump sum dependent on age and length of service. The introduction of a 1/40<sup>th</sup> scheme resulted in a number of longer serving Members reaching their maximum period of service and therefore ceasing to contribute.

The supplementary pension contributions associated with the Ministerial element of a Member's salary are funded by the Estimate and are included in the pensions figure in Note 6. The Ministerial salary supplement itself is funded by the relevant Government Department direct.

The Managing Trustees are current Members of the House of Commons plus one retired former Member. The scheme's investments are managed by the Bank of New York. The scheme is administered by rpm. The cost of administering the scheme is included as an administration cost within the House of Commons: Administration accounts.

The accounts of the PCPF are published separately. Further information about the PCPF or a copy of the Annual Report can be obtained from The Parliamentary Contributory Pension Fund Secretariat, Pensions Unit, Department of Resources, House of Commons, London, SW1A 0AA.

## 1.12 Early departure costs

Under the PCPF scheme rules, normal retiring age is 65, but a Member with at least 20 years' service can retire at 60 with an immediate pension. It is also possible for Members over the age of 50 to retire with an immediate pension subject to an actuarial reduction dependent on age and length of service. In addition, if the Trustees of the PCPF are satisfied that a Member's ill health permanently prevents them from carrying out their duties, they can retire early with an immediate pension. All early retirement costs are met from the Fund and are not identified separately.

## 1.13 Staff pension provision

Since November 2003, Members' employees have automatically joined the Portcullis Pension Plan, although they can opt out if they wish. When the Plan was first set up, a small group of employees, who met certain criteria, were allowed to stay with their existing providers.

All employees within the Plan benefit from a contribution paid by the House of 10% of their earnings. They can decide how this is split between the two providers, Norwich Union and AXA Sun Life, and how the funds are invested. Employees can also make voluntary contributions if they wish. In addition, all the members of the Plan benefit from death in service cover of twice their salary.

**1.14 Grants to other bodies**

Financial assistance is provided to Opposition parties and the Members' Fund.

**1.15 Leases**

No operating or finance leases are held.

**1.16 Private Finance Initiative (PFI) transactions**

There were no PFI transactions during the year.

**1.17 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.

**1.18 Programme expenditure**

The Operating Cost Statement shows details of programme costs, which include Members' salaries, allowances and pension costs. Details of how these may be claimed are outlined in the Green Book, issued by the Department of Resources at the House of Commons.

The allowance expenditure disclosed in these resource accounts relates to Members' claims arising from the accounting period covered by the accounts. It includes claims received after the year-end to pay for activity arising within the accounting period. The Green book allows claims against each year's allowance budget to be submitted up to two months after the financial year; however, in exceptional circumstances claims received more than two months after the accounting year-end may be paid.

Members who have specific spending plans are able to apply to carry forward up to 10% of their Incidental Expenses Provision and Staffing Allowance. In certain circumstances they can also ask for an advance. Apart from exceptional circumstances, approved by the Speaker, any request must be submitted within two months of the end of the financial year. Movements between years will be managed within the overall resources and net cash requirement for those years.

The year-end accrual balance represents claims from Members received during the two months after the year-end, which relate to the accounting period covered by the resource accounts. This balance is supplemented by an estimate for subsequent exceptional claims that may be authorized for payment after the two months cut-off period has expired.

Prepayments are disclosed for the Parliamentary Contributory Pension Fund, childcare and the purchase of season tickets where the services will be delivered in the next accounting period.

**1.19 Going concern**

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

**1.20 Costs of administering Members' salaries and allowances**

The cost of administering Members' allowances and salaries is included as an administration cost within the House of Commons: Administration accounts.

**1.21 Third party assets**

There are no third party assets held.

## 2. Reconciliation of Estimates, accounts and budgets

### Reconciliation of accounts to capital budget

	Note	2007-08			2006-07
		Final provision	Outturn	Outturn compared with final provision	Outturn
		£000	£000	£000	£000
Additions to assets	8, 9	250	51	199	1,719
(Disposals) at net book value	8, 9	-	-	-	(3)
<b>Capital Budget</b>		<b>250</b>	<b>51</b>	<b>199</b>	<b>1,716</b>

## 3. Reconciliation of resources to cash requirement

	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/(excess)
		£000	£000	£000
		£000	£000	£000
Resource Outturn		169,610	159,310	10,300
Capital				
Acquisition of fixed assets	8, 9	250	51	199
Non operating A in A				
Proceeds of fixed asset disposals	5	(2)	(1)	(1)
Accruals adjustments				
Non-cash items	7	800	563	237
Changes in working capital other than cash	10,12	-	66	(66)
Changes in creditors falling due after more than one year	12	-	-	-
<b>Net Cash Requirement</b>		<b>170,658</b>	<b>159,989</b>	<b>10,669</b>

#### 4. Analysis of income payable to the Consolidated Fund

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

	Forecast 2007-08		Outturn 2007-08	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Other amounts collectable on behalf of the Consolidated Fund	-	-		
Non-operating income and receipts – excess A in A				
Excess cash surrenderable to the Consolidated Fund	-	-	55	55
<b>Total income payable to the Consolidated Fund</b>	-	-	<b>55</b>	<b>55</b>

#### 5. Non-Operating income

	2007-08	2006-07
	£000	£000
Disposal of fixed assets	1	2

#### 6. Members numbers and costs

##### 6.1 Members costs comprise:

	2007-08	2006-07
	£000	£000
Members' salaries	40,245	39,235
Resettlement Grant	-	-
London Supplement	141	136
Social security costs	4,124	4,052
Other pension costs	12,000	11,485
<b>Total net costs</b>	<b>56,510</b>	<b>54,908</b>

There are 646 seats in the House of Commons. During 2007-08, a total of 641 Members took up their seats with 5 Members abstaining from taking the oath. The annual salary of each Member was £61,820. Members representing Inner London constituencies received London Supplement up to 31 March 2008. Included in the Members' salary costs are the additional salaries for the Chairman of Ways and Means (£40,646), two Deputy Chairmen of Ways and Means (£35,723 each), thirty one Chairmen of the Select Committees (£13,713 each) and the thirty two Chairmen of the Standing Committees (£2,737 - £13,713 each).

**6.2 The House of Commons Members Fund (HCMF)**

The HCMF was set up by the House of Commons Members' Fund Act 1939 as amended by subsequent Acts between 1948 and 1991. The Fund is not a pension scheme as defined by the House of Commons Financial Reporting Manual but functions primarily as a benevolent fund and operates to provide for former Members and their dependants who find themselves in difficult circumstances. These accounts only show the contribution paid into HCMF each year on behalf of all Members. Separate accounts for the HCMF are published. The last full valuation of the HCMF was as at 30 September 2006 when the Government Actuary assessed the value of the assets at £4.604 million. The total liability of the fund was £2.323 million, giving a surplus of £2.281 million.

**7. Net programme costs**

	Note	2007-08		2006-07	
		£000	£000	£000	£000
<b>Other Costs – Members' Staff Salaries, Staff Pensions and other expenses</b>					
<b>Cash Items</b>					
Staffing Allowance		55,452		53,274	
Incidental Expenses Provision		11,524		12,989	
Additional Costs Allowance		11,634		11,447	
Communications Allowance		4,699		-	
Travel expenses		6,193		6,253	
Contributions to Members' staff pensions		4,854		4,659	
Winding Up Allowance		56		68	
Central service provision		1,308		2,925	
Staff redundancy		20		22	
Insurance		177		313	
Temporary secretarial assistance		399		324	
Ex-gratia payments		4		-	
Grants to other bodies					
Financial assistance to Opposition parties		6,790		6,340	
Members' Fund		215		215	
Other		38		-	
<b>Subtotal</b>			<b>103,363</b>		<b>98,829</b>
<b>Non-cash items</b>					
Depreciation and amortisation of fixed assets:					
Tangible fixed assets	8	714		576	
Intangible fixed assets	9	5		17	
Gain/(loss) on disposal of fixed assets		(1)		1	
Pension provision	13	2,500		6,015	
Audit fee		50		50	
Capital charge		(3,831)		(4,406)	
<b>Subtotal</b>			<b>(563)</b>		<b>2,253</b>
<b>Grand Total</b>			<b>102,800</b>		<b>101,082</b>

**8. Tangible fixed assets**

The tangible fixed assets consists of IT equipment

	<b>2007-08</b>
	<b>£000</b>
<b>Cost</b>	
<b>At 1 April 2007</b>	<b>3,073</b>
Additions	51
Disposals	-
Loss on revaluation	-
Gain on revaluation	-
<b>At 31 March 2008</b>	<b>3,124</b>
<b>Depreciation</b>	
<b>At 1 April 2007</b>	1,155
Charge in year	714
Disposals	-
Revaluation	-
<b>At 31 March 2008</b>	<b>1,869</b>
<b>Net book value at 31 March 2008</b>	<b>1,255</b>
<b>Net book value at 31 March 2007</b>	<b>1,918</b>

## 9. Intangible fixed assets

The House's intangible fixed assets comprise software licences.

	2007-08
	£000
<b>Cost or valuation</b>	
At 1 April 2007	65
Additions	-
Disposals	(45)
<b>At 31 March 2008</b>	<b>20</b>
<b>Amortisation</b>	
At 1 April 2007	60
Charged in year	5
Disposals	(45)
<b>At 31 March 2008</b>	<b>20</b>
<b>Net book value at 31 March 2008</b>	<b>-</b>
<b>Net book value at 31 March 2007</b>	<b>5</b>

## 10. Debtors

	As at 31 March 2008	As at 31 March 2007
	£000	£000
<b>Amounts falling due within one year:</b>		
Members	35	36
Deposits and advances	39	22
Other debtors	458	313
Prepayments and accrued income	148	17
	<b>680</b>	<b>388</b>

During the year the Parliamentary Commissioner for Standards investigated a number of complaints about Members of Parliament. As a result, the Standards and Privileges Committee of the House of Commons recommended that the House should recover a number of payments. These totalled £29,972 and comprised repayments from Mr Derek Conway MP (£13,161.05), Mr Malcolm Bruce MP (£500.00), Mr Sadiq Khan MP (£500.00), Mr Elfyn Llwyd MP (£5,169.82), Mr Adam Price MP (£5,471.49) and Mr Hywel Williams MP (£5,170.14). At the end of the year all monies had been repaid, with the exception of £12,063.33 which is due to be paid by instalments during 2008/09.

**11. Cash at bank and in hand**

	As at 31 March 2008	As at 31 March 2007
	£000	£000
Balance at 1 April	259	180
Net change in cash balances	(3)	79
<b>Balance at 31 March</b>	<b>256</b>	<b>259</b>
The following balances at 31 March were held at:		
Office of HM Paymaster General	256	259
Commercial banks and cash in hand	-	-
<b>Balance at 31 March</b>	<b>256</b>	<b>259</b>
Amounts issued from the Consolidated Fund but not spent at year end	255	254
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	1	5
	<b>256</b>	<b>259</b>

**12. Creditors**

	As at 31 March 2008	As at 31 March 2007
	£000	£000
<b>Amounts falling due within one year</b>		
Other taxation and social security	2,897	2,854
Members	130	260
Other creditors – current	1,822	747
Other creditors - capital	-	-
Accruals and deferred income	6,295	7,057
	<b>11,144</b>	<b>10,918</b>
Amounts issued from the Consolidated Fund for supply but not spent at year end	255	254
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
received	1	5
receivable	-	-
	<b>11,400</b>	<b>11,177</b>

**13. Provisions and liabilities**

The PCPF is a defined benefit scheme. The Government Actuary's Department (GAD) provided an estimate of the financial position as at 31 March 2008. A full actuarial valuation was last carried out at 31 March 2005. The major assumptions used by GAD were:

	<b>As at 31 March 2008</b>	<b>As at 31 March 2007</b>
Rate of increase in salaries	5.2%	4.9%
Rate of increase in pensions in payment and deferment	3.7%	4.9%
Discount rate	6.9%	5.4%
Inflation assumption	3.7%	3.4%
	<b>2007-08</b>	<b>2006-07</b>
	<b>£000</b>	<b>£000</b>
<b>Movement in deficit during the year</b>		
Deficit in scheme at beginning of year	(103,143)	(130,628)
Current service cost (net of member contributions) <sup>1</sup>	(15,400)	(16,500)
Employer contributions	12,000	11,485
Other finance income <sup>2</sup>	900	(1,000)
Actuarial gain <sup>3</sup>	7,700	33,500
<b>Deficit in scheme at end of year</b>	<b>(97,943)</b>	<b>(103,143)</b>
<b><sup>1</sup>Analysis of amounts charged to operating profit</b>		
Current service cost (net of member contributions)	15,400	16,500
	15,400	16,500
<b><sup>2</sup>Analysis of amount credited to the finance income</b>		
Expected return on pension scheme assets	27,000	22,700
Interest on pension scheme liabilities	(26,100)	(23,700)
Net return	900	(1,000)
<b><sup>3</sup>Analysis of amount recognised in Statement of Recognised Gains and Losses (SRGL)</b>		
Actual return less expected return on pension scheme assets	(39,100)	3,800
Experienced gain/(loss) arising on the scheme liabilities	(1,400)	5,900
Changes in assumptions underlying the present value of the scheme liabilities	48,200	23,800
Actuarial gain/(loss) recognised in SRGL	7,700	33,500
Benefits paid	13,700	13,000
Member contributions	(4,300)	(4,200)

The provision used in year was £2,500,000 (i.e. current service cost £15,400,000 less employer contributions £12,000,000 and other finance income £900,000).

Analysis of Assets and Liabilities	Long term rate of return 2007-08	Value at 31 March 2008	Value at 31 March 2007
		£million	£million
Equities	7.5%	273	290
Bonds	4.5%	87	80
Others	5.25%	7	6
Total value of assets		367	376
Present value of Fund liabilities		(465)	(479)
<b>Net pension liability</b>		<b>(98)</b>	<b>(103)</b>

	2007-08 £000	2006-07 £000	2005-06 £000
<b>Difference between expected and actual return on assets:</b>			
Amount	900	(1,000)	(2,000)
As a percentage of the scheme assets at the Balance Sheet date	0.9%	1.0%	1.5%
<b>Experienced (gain)/loss arising on the scheme liabilities:</b>			
Amount	(1,400)	5,900	4,000
As a percentage of the present value of the scheme liabilities at the Balance Sheet date	1.4%	5.7%	3.1%
<b>Total actuarial gain/(loss):</b>			
Amount	7,700	33,500	(7,000)
As a percentage of the present value of the scheme liabilities at the balance sheet date	7.9%	32.5%	5.4%

**14. General Fund**

		<b>As at 31 March 2008</b>	<b>As at 31 March 2007</b>
	<u>Note</u>	<u>£000</u>	<u>£000</u>
Balance at 1 April		(111,750)	(140,400)
Net Parliamentary funding			
Drawn down		159,990	155,593
Deemed		254	157
Year end adjustment			
Supply creditor – current year	11	(255)	(254)
Net transfer from operating activities			
Net operating cost	6 & 7	(159,310)	(155,990)
Non cash charges			
Cost of capital		(3,831)	(4,406)
Auditors' remuneration		50	50
Actuarial gain/(loss) recognised in SRGL	13	7,700	33,500
<b>Balance at 31 March</b>		<b><u>(107,152)</u></b>	<b><u>(111,750)</u></b>

**15. Notes to the Cash Flow Statement****15(a) Reconciliation of operating cost to operating cash flows**

	<b>Note</b>	<b>2007-08</b>	<b>2006-07</b>
		<b>£000</b>	<b>£000</b>
Net operating cost	6 & 7	(159,310)	(155,990)
Adjustments for non-cash transactions	7	(563)	2,253
(Increase)/decrease in debtors	10	(292)	(44)
(Decrease)/increase in creditors	12	226	2
<i>less increase in capital creditors</i>		-	-
<b>Net cash outflow from operating activities</b>		<b>(159,939)</b>	<b>(153,779)</b>

**15(b) Analysis of capital expenditure and financial investment**

	<b>Note</b>	<b>2007-08</b>	<b>2006-07</b>
		<b>£000</b>	<b>£000</b>
Tangible fixed asset additions	8	(51)	(1,719)
Intangible fixed asset additions	9	-	-
Proceeds on disposal of fixed assets	5	1	2
<b>Net cash outflow from investing activities</b>		<b>(50)</b>	<b>(1,717)</b>

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

	<b>Capital expenditure</b>	<b>Loans etc</b>	<b>A in A</b>	<b>Net total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Request for Resources	51	-	(1)	50
Net movement in debtors/creditors	-	-	-	-
<b>Total 2007-08</b>	<b>51</b>	<b>-</b>	<b>(1)</b>	<b>50</b>
<b>Total 2006-07</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>2</b>

**15(d) Analysis of financing**

	<b>Note</b>	<b>2007-08</b>	<b>2006-07</b>
		<b>£000</b>	<b>£000</b>
From the Consolidated Fund (Supply) – current year	14	159,990	155,593
From the Consolidated Fund (Supply) – prior year	14	-	-
<b>Net financing</b>		<b>159,990</b>	<b>155,593</b>

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

	Note	2007-08 £000	2006-07 £000
Net cash requirement	3	(159,989)	(155,496)
From the Consolidated Fund (Supply) – current year	14	159,990	155,593
From the Consolidated Fund Supply – prior year	14	-	-
Amounts due to the Consolidated Fund received in prior year and paid over		(5)	(23)
Amounts due to the Consolidated Fund received and not paid		1	5
<b>(Decrease)/increase in cash</b>		<b>(3)</b>	<b>79</b>

**16. Capital commitments**

There were no capital commitments as at 31 March 2008 (none at 31 March 2007).

**17. Contingent liabilities disclosed under FRS 12**

There may be some legal fees which could arise in 2008-09 (none the previous year).

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

There are currently no contingent liabilities not required to be disclosed under FRS 12, but which need to be included for parliamentary reporting and accountability purposes (none the previous year).

**19. Losses and special payments****Losses Statement**

	2007-08 £000	2006-07 £000
Total – 1 case	34	0

**20. Related-party transactions**

The House of Commons: Administration Estimate is regarded as a related party. The House of Commons Commission provide resources for the following services to Members and their staff: accommodation, utilities, catering, security, communications and administration. IT 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. In addition, the remuneration package for Members of Parliament is approved by Resolution of the House of Commons. Members 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 House of Commons: 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.

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## **21. Financial Instruments**

The House of Commons has no borrowings and relies primarily on Exchequer grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling. As a consequence it is not exposed to interest rate risk or foreign currency risk.

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## **22. Post balance sheet events**

In accordance with the requirements of FRS 21, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

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# **House of Commons: Members Estimate**

## **Audit Committee Annual Report**

**2007-08**

## **Members Estimate Audit Committee Annual Report for 2007-08**

### **Introduction**

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

### **Membership**

2. In 2007/08 the Rt. Hon Theresa May MP served as Chairman of the Committee, and Nick Harvey MP as a member of the Committee. There were also two external members of the Committee, Sir Thomas Legg KCB QC and David Taylor FCA.
3. The Clerk of the House, the Director General, Resources, and the Director of Internal Audit attend meetings, although they may withdraw for specific items at the Committee's, or their own, request.
4. The Committee's secretary is the Private Secretary to the Clerk of the House, Tracey Garratty.
5. During 2007 Sir Kevin Tebbit KCB CMG led a review of the management and services of the House of Commons on behalf of the House of Commons Commission. The Commission agreed to Sir Kevin's recommendations that a member of the Finance and Services Committee should be appointed to the Administration Estimate Audit Committee, and that a third external member should be appointed. The membership of the Members Estimate Audit Committee will also reflect this. It is expected that these appointments will be made before the end of the 2007-08 Parliamentary Session.

### **Terms of Reference**

6. The Committee's terms of reference are annexed to this report. The terms of reference have been altered to take account of the renaming of the Internal Review Service as Internal Audit on its move to the Office of the Chief Executive.

### **Meetings**

7. The Committee met three times in the financial year 2007-08.

### **Information about the Committee**

8. The Committee has a page on the Parliament website on which are published its membership, terms of reference and annual reports. Formal minutes of meetings are also published on-line.

### **Administration Estimate Audit Committee**

9. The Members Estimate Audit Committee has the same membership as the Administration Estimate Audit Committee (AEAC) and usually meets immediately after meetings of the AEAC. 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 but minuted separately.
10. The Committee has agreed to adopt the same arrangements and procedures as the AEAC, as far as is practicable. Consequently:
  - representatives from the National Audit Office and PricewaterhouseCoopers, who work with the House's Internal Audit Unit, usually attend meetings of the Committee;
  - internal audit reports are considered first by the external members of the Committee, who may refer matters for discussion by the full Committee; and

- notwithstanding the difference in the roles of the Commission and the Members Estimate Committee in respect of the two House Estimates, the same procedure is used for advising the Accounting Officer on the Members Accounts as is used in relation to the Administration Accounts.

11. The annual report of the AEAC will be published with the House of Commons Commission's Annual Report for 2007-08 in the summer.

### **Internal audit reports**

12. Seven audits relating to the Members Estimate were notified to the Committee at its three meetings.

13. Audit reports are usually considered first by the external members of the Committee, who may choose to bring matters to the attention of the full Committee. Three of the audit reports, one following up previous audits, one relating to the monitoring process for the incidental expenses provision and an audit of IT hardware procurement and contract best value were discussed by the Committee as a whole: three audits, concerning the winding up allowance, the preparation of financial statements and Members' computing services were circulated to the Committee in whole or in part: and the remaining audit, relating to manual payments, was considered by the external members only.

14. Since the creation of the MEAC in 2004, the Committee has been concerned about the matter of auditing of Members expenses and allowances, and has discussed the need for appropriate governance on a number of occasions. In 2005/06, in order to facilitate discussion with management and then the Members Estimate Committee (MEC), the Committee agreed to commission a process review of Members' allowances that would concentrate on ensuring that the Green Book could be clearly interpreted by Members and staff of the House. In December 2007 the Committee agreed a paper on this subject to the MEC making recommendations regarding the audit of Members expenses, which was considered by the MEC at its meeting in January 2008, and is relevant to the MEC's current review of Members allowances.

### **House of Commons: Members Accounts**

15. The external members of the Committee met with NAO and Department of Resources staff on 19 June 2007 to discuss the draft House of Commons: Members Accounts for 2006-07, following which the accounts were discussed by the full Committee at its 11 July meeting prior to being signed off by the Clerk of the House, as Accounting Officer. Amongst the issues noted by the Committee were a marked increase in depreciation on tangible and intangible fixed assets, due to the Members IT refresh which took place after the General Election, and changes in actuarial advice from the Government Actuary's Department.

16. The Committee also received an audit completion memorandum for 2006/07 and an audit strategy memorandum for 2007-08 from the National Audit Office.

17. The Committee congratulates those officials of the House and the NAO who contributed to the House meeting the HM Treasury's aim that public sector resource accounts for 2006/07 should be completed by July 2007.

### **Other areas of work**

18. In 2005/06 the Committee agreed to the Leader of the House's invitation that it should undertake a review of the governance of the Members' Fund jointly with the Trustees of the Fund, and appointed John Stoker to undertake the review on its behalf. Lord Burnett was appointed on behalf of the Trustees. In November 2007 the final report, together with papers from the MEAC and the Trustees, was presented to the Members Estimate Committee, who decided that Members' contributions should be raised at the next General Election, that surplus funds of £1m be returned to HM Treasury and that the Fund should continue on a statutory basis with the MEC asking the Government to bring forward legislation to enact the changes agreed at the earliest possible opportunity.

## **Annex**

The Committee's current terms of reference are shown below:

On behalf of the Members Estimate Committee, to:

- have general oversight of the work of internal audit and review relating to the Members Estimate, with particular emphasis on promoting economic, efficient and effective administration, and on risk assessment and control assurance;
- receive and consider reports from Internal Audit (IA), together with management letters and external audit material relating to the Members Estimate;
- monitor and review the external auditor's independence, objectivity and effectiveness, and to make recommendations to the Members Estimate Committee about the external auditor's appointment;
- advise the Accounting Officer in the exercise of his responsibilities;
- consider and recommend to the Accounting Officer the internal review programme for the Members Estimate;
- encourage best financial practice, use of resources and governance in relation to the Members Estimate;
- report annually, the report to be published with the Members Estimate annual accounts.