



HOUSE OF COMMONS

ANNUAL REPORT AND ACCOUNTS 2016-17



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

**Annual Report and Accounts
2016–17**

(for the year ended 31 March 2017)

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The 2016–17 financial year was one of historic change, with the European Referendum, and substantial change for the House of Commons.

The result of the referendum, and the steps taken thereafter, gave rise to a number of debates and questions in Parliament. Most notably it led to the consideration and passage of the European Union (Notification of Withdrawal) Act, which formally triggered the process for leaving the EU. Throughout this period, MPs have been ably supported in their scrutiny role by the existing services of the House. Furthermore, with the creation of a new Government Department for Exiting the European Union, a corresponding Departmental Select Committee, comprised of 21 MPs, was established to examine the expenditure, administration and policy of that Department. The House Service demonstrated its flexibility to meet the challenge of resourcing the Committee, by utilising expertise within the House Service, and supplementing that with new recruits, whose areas of subject specialism are currently in high demand. The Research and Information Team have also been very productive in compiling research briefings and obtaining up to date material to inform debate on the very broad range of topics that are affected by Brexit, and this authoritative information is available to the public via the website.

Foreword

from the Clerk of the House

Two events shook the House of Commons during the financial year. The whole House Service was shocked at the brutal murder in June of Jo Cox, MP for Batley and Spen. Parliament was recalled and a special service was held at St Margaret's Church for both Houses. Further tragedy came to the gates of the House of Commons on 22 March 2017, when Parliament was attacked by a lone assailant, Khalid Masood. His actions resulted in the death of five members of the public, and PC Keith Palmer. On the day, as planned in such incidents, operational control transferred immediately to the Metropolitan Police command, and all parliamentary buildings were locked down. The House resumed its business the following day.

In response, Project Secure Away From the Estate (SAFE) was launched in September 2016, streamlining the process of obtaining physical security measures in Members' offices and homes. Following the 22 March attack, the Speakers of the two Houses commissioned an external independent review of how the perimeter of the Parliamentary Estate is secured and protected. In addition, the Clerk of the Parliaments and I commissioned an external review to identify the lessons learned from the operation of Parliament's Incident Management Framework over the period of 22–27 March. The reports of both reviews have been received and are being carefully considered.

The ongoing challenges presented by the state of the Palace of Westminster continue to be managed by the House Administration. I had expected that during the year the two Houses would make a decision in principle on a way forward for the Restoration and Renewal (R&R) programme based on the Independent Options Appraisal of 2015 and the September 2016 report from the Joint Committee on the Palace of Westminster. However, no decision has yet been made. Whilst we seek progress, I have arranged for the risks to be assessed and mitigation plans to be developed, as measures to cope with the delay.

During the year we have made progress on developing a more open and diverse House Service. A fifth workplace equality network, ParliON, has been established with the remit to promote inclusion and

equality of opportunity across Parliament, and to raise awareness of issues around socio-economic inclusion. I expect that time and energy volunteered by staff will enable this network to flourish in a similar way to the other networks. We have also undertaken a pilot of direct recruitment to a Graduate Development Programme, to complement existing recruitment through the civil service fast stream, with the aim of recruiting a more diverse range of people to the House Service. These actions demonstrate the House's commitment to being an inclusive place to work and I hope will encourage an even wider range of people to consider us as an employer.

There have also been changes to the House Service structure and to the organisational design during the year. These changes and our strategic programmes were created to deliver the House Service strategy, and emanate from the Director General's Review. Following his review, Ian Ailles has reported to me throughout the year on how we are delivering effective and efficient services to MPs and the public. Ian has provided more detail on our performance within his foreword on page nine.

Whilst not within the 2016–17 financial year, the announcement of a General Election in 2017 came as a surprise to the organisation, as it did to the country. Managing the impact of the election, with little preparation or planning time, was a substantial challenge which all parts of the House Service responded to with enthusiasm, working together to deliver a good start to the new Parliament for new and returning MPs alike. In particular, the New Members' Reception Area, which operated in the first week after the election, demonstrated what can be achieved by colleagues across the House working together to deliver the best possible service to our Members. All staff involved in delivering the post-election service, in whatever capacity, should be rightly proud of their achievements.

David Natzler,
Clerk of the House

The new House Service Strategy was approved in April 2016 by the Commission, with the central vision of “supporting a thriving Parliamentary democracy”.



We are now in the process of aligning and mobilising all our teams so that all our activity flows directly from the strategy, and ensuring our staff have the support, capability and capacity to deliver it.

The overall vision is supported by three key objectives:

Facilitating effective scrutiny and debate

Involving and inspiring the public

Securing Parliament’s future

Foreword

from the Director General

We have established three time-limited strategic programmes to help deliver the House Service Strategy and the recommendations of the Director General's Review. The programmes focus on our customers, our staff, and the ways in which we work. The Customer Programme is focusing on customer service and making it easier for our customers to talk to us, listening to them and seeking their feedback proactively. Our customers include MPs, their staff, the public (whether as visitors to Westminster or more widely) and our own staff as internal customers of other teams' services. The People Programme is raising the profile and impact of people development across the House, and developing our capability to deliver strategic outcomes. The Ways of Working programme will support the House service to maximise digital benefits, lead the introduction of smart working, and help coordinate an effective and rigorous approach to data as a valuable resource in improving effectiveness. Finally, the programme will help to develop a coordinated story about change and development of the House Service that makes it easier for staff to engage with change. Stepping Up, the predecessor to the three programmes ran from May to November 2016, delivering the structural and organisational changes recommended in the Director General's Review.

As part of the Director General's Review Centres of Excellence were established to set standards and best practice, to provide support and consistency to functions, across the organisation. For example, the Project and Programme Management Centre of Excellence is professionalising project and programme delivery across Parliament, and aims to set professional standards and provide guidance and support to project and programme management practitioners across the organisation. The Centre supports the bicameral Joint Investment Board to ensure Parliament's portfolio of building, digital, and business change projects aligns with both Houses' strategic ambitions. The Communications Office is tackling the challenge of communicating to our many diverse audiences, acting as a thought leader in the field of legislative communications, and demonstrating best practice across the organisation, the UK and internationally.

A Communications Centre of Excellence has been established, to provide a forum for communications professionals across Parliament, enable them to work more closely and share learning from the broad-ranging communications work being delivered by both Houses. So far, the Centre has developed and agreed best practice social media guidelines, developed consistent approaches to local communication of corporate initiatives and learnt from other successful communicators in areas as diverse as the Red Arrows, Water Aid and the National Audit Office. A third Centre of Excellence for procedure was given approval by the Board to launch in February.

The House of Commons Service was restructured in April 2016 to comprise seven House of Commons Teams, the Parliamentary Digital Service (a joint department with the House of Lords) and two smaller offices. We have also looked at spans of control of individual posts and the number of layers of management. As a result, teams have taken steps to widen spans and reduce layers, to create better and closer links with strategic direction, policy and operational decisions, effectiveness and efficiency, and to focus on reconnecting more senior management with the customer.

This year we have put more emphasis on risk. The Administration Estimate Audit Committee changed its name to the Audit and Risk Assurance Committee, to reflect the greater role it is playing in risk assurance. The mechanism for managing risk has also changed – the Board now has day to day responsibility for managing risk while the Executive Committee retains risk oversight and provides assurance to the Commission.

All of this is just the first step in providing people with the tools they need to identify and address the areas where we can do better and to improve further what we are already doing.

Ian Ailles,
Director General

How the House is Governed

The House of Commons is governed by the Commission. Chaired by the Speaker, the Commission sets the strategic framework for the provision of services to the House, MPs and to the public; signs off the annual budget (the Estimate) for the House; and is the legal employer of House Service staff. Having agreed the strategy, the Commission has delegated day-to-day management to the Executive Committee. In April 2016, the Board was established to support the Executive Committee in fulfilling its delegated responsibilities. Its membership is the heads of the Teams (departments) of the House, and officials leading on key programmes such as Customer Service and developing the workforce. The Commission is also advised by three committees: the Administration Committee, which recommends improvements to services; the Finance Committee, which considers expenditure and the House's budgets; and the Administration Estimate Audit and Risk Assurance Committee which supports the Clerk by advising him in his responsibility as the Accounting Officer, with a particular emphasis on promoting economy, efficiency and effectiveness.

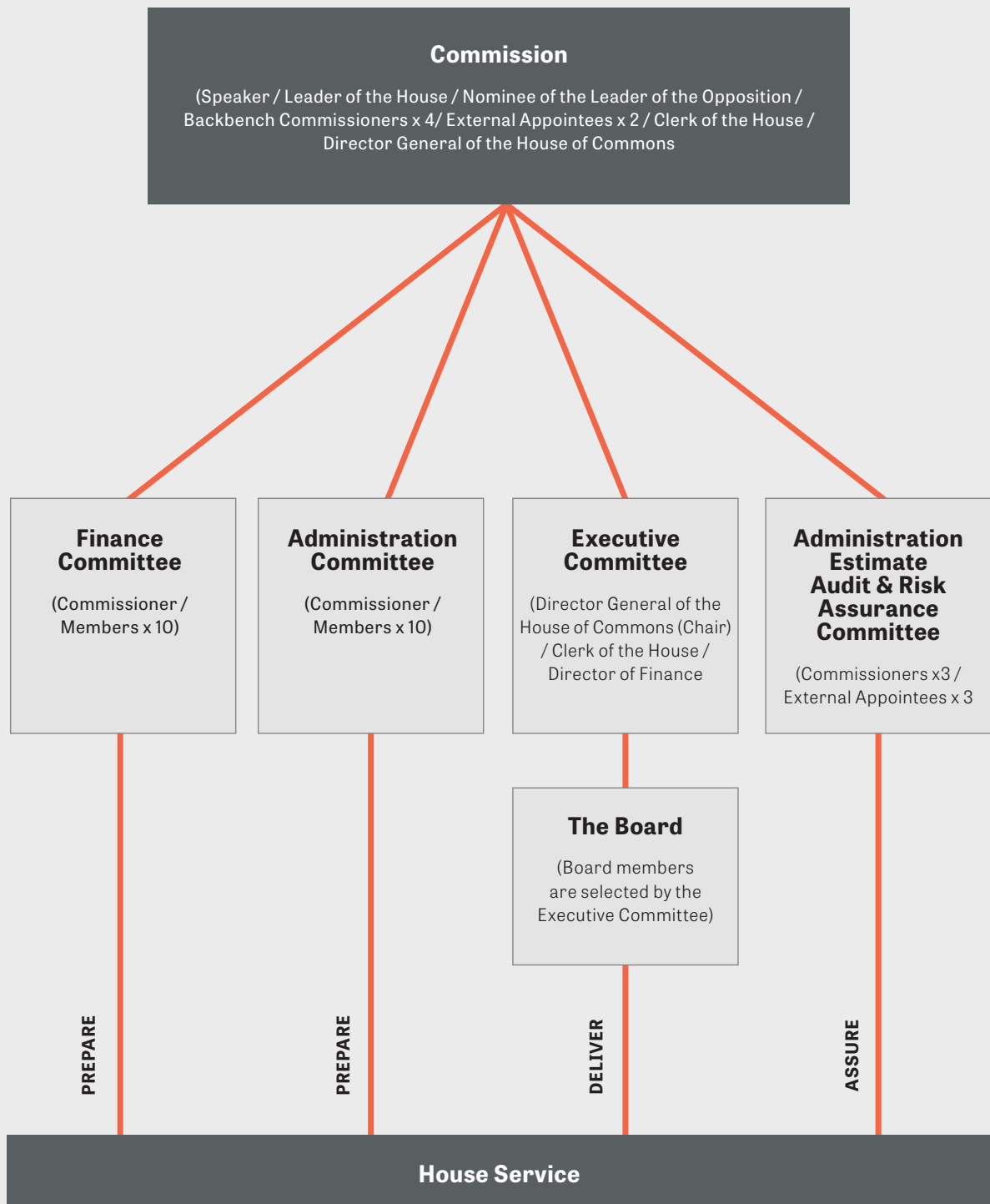
The diagram opposite summarises the governance structure of the House of Commons Administration.

Organisational structure of the House of Commons Service

Following publication of the Director General's Review in April 2016 (see page 9) the House of Commons Service was restructured. It now comprises seven House of Commons Teams (departments), the Parliamentary Digital Service (a joint department of the House of Commons and the House of Lords) and two smaller offices.

The new organisational structure comprises the following Teams, a number of which provide shared services to the House of Lords:

- Chamber and Committees
- Research and Information
- Participation
- In-House Services
- Parliamentary Security Department (a shared service with the House of Lords)
- Corporate Services
- Strategic Estates
- Communications Office
- Governance Office
- Parliamentary Digital Service (a joint department with the House of Lords)



In addition, the House of Commons Service is supported by the Parliamentary Procurement and Commercial Service, a shared service based in the House of Lords Finance Department, and the Parliamentary Archives, also based in the Lords.

House of Commons Commission

Under the House of Commons (Administration) Act 1978 (as amended by the House of Commons Commission Act 2015), the House of Commons Administration is overseen by the House of Commons Commission. The membership of the Commission during 2016–17 was:

Name	Served	Attendance
The Rt Hon John Bercow MP: Speaker (Chairman, by virtue of office)	full year	13/13
The Rt Hon Chris Grayling MP: Leader of the House of Commons (by virtue of office)	until 14 July 2016	2/3
The Rt Hon David Lidington MP: Leader of the House of Commons (by virtue of office)	from 14 July 2016	10/10
Sir Paul Beresford MP	full year	12/13
Rt Hon Tom Brake MP	full year	11/13
Rt Hon Nick Brown MP	until 31 October 2016	5/6
Rt Hon Dame Rosie Winterton MP	from 31 October 2016	6/7
Chris Bryant MP	until 21 November 2016	6/6
Valerie Vaz MP	from 21 November 2016	7/7
Stewart Hosie MP	full year	10/13
David Natzler: Clerk of the House (by virtue of office)	full year	13/13
Ian Ailles: Director General of the House of Commons (by virtue of office)	full year	12/13
Dame Janet Gaymer ¹ , external member ²	full year	13/13
Jane McCall, external member ²	full year	11/13

Parliamentary Questions addressed to the Commission were answered by The Rt Hon Tom Brake MP as Commission spokesperson. During 2016–17 the Commission replied to nine oral questions and gave 53 written answers.

¹ Dame Janet is the Chair of the House of Commons Administration Estimate Audit and Risk Assurance Committee

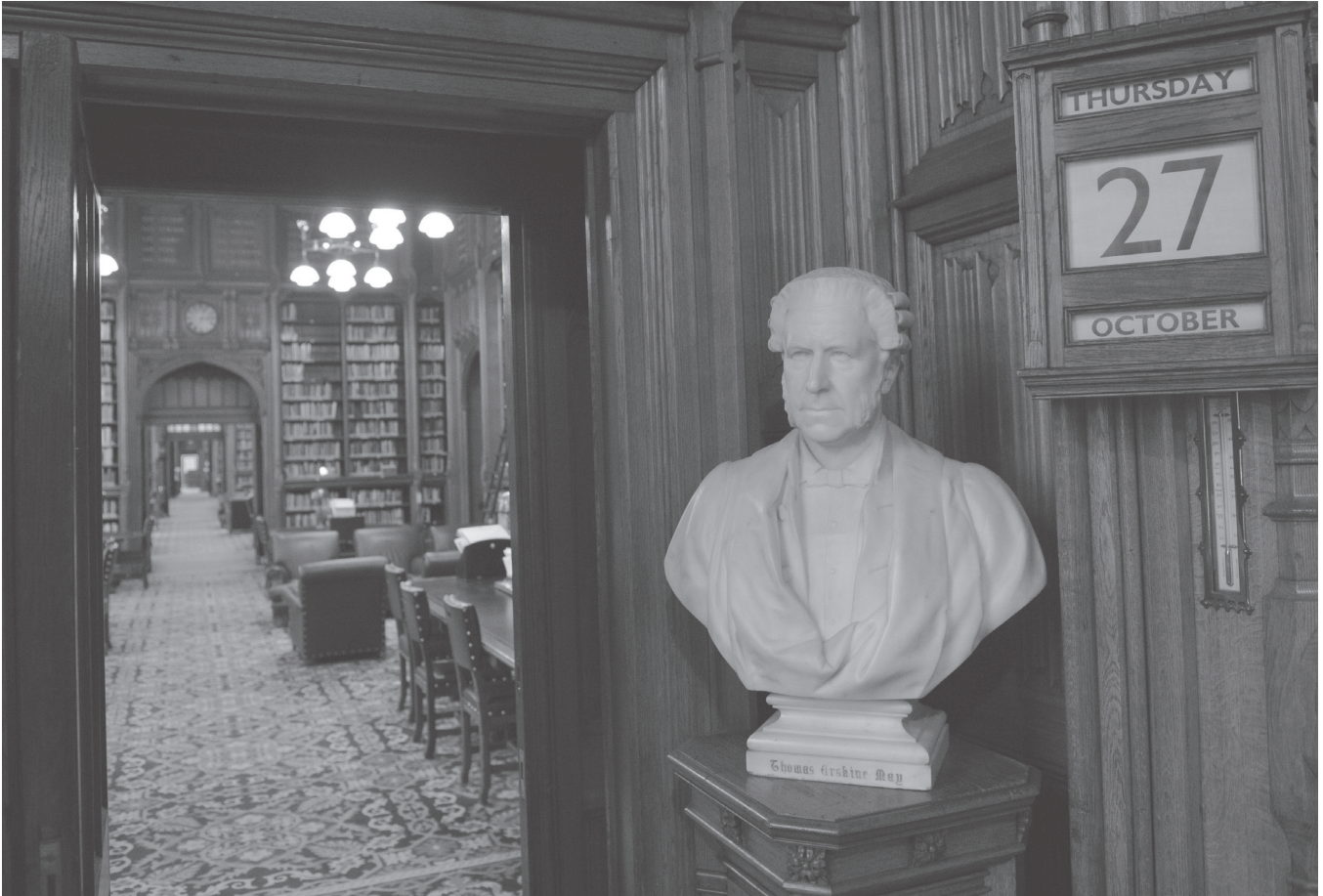
² External members are not voting members of the House of Commons Commission

Annual Report of the House of Commons Commission

The Commission met 13 times during 2016–17 and held two meetings jointly with the House of Lords House Committee (now the House of Lords Commission). Minutes of Commission meetings – the “Decisions” – are published on its pages on the Parliament website.³ During the period covered by this report the Commission dealt with a range of administrative and financial matters including:

- Agreeing a financial remit for 2017–18 and 2018–19.
- Agreeing Votes on Account and Estimates for 2017–18.
- Agreeing the pay remit for House staff 2017–18.
- Approving the appointment of new lay members of the Committee on Standards.
- Approving the appointment of the external member of the Estimate Audit Committees.
- Agreeing an approach to developing joint services with the House of Lords.
- Progressing discussions on major strategic estates programmes – Northern Estate Programme, Restoration and Renewal Programme.
- Progressing discussions between IPSA and the House to enhance arrangements on provision of security away from the Estate.
- Endorsing progress of the working group advising on black and minority ethnic (BAME) representation in senior levels of the House Service.
- Endorsing the establishment of a House Reference Group on Representation and Inclusion.
- Endorsing the digital strategy and cyber security programme.
- Endorsing the approach to changes to the organisational structure of the House Services arising from the Director General’s review and implementation of other recommendations from the review.
- Endorsing a code of construction related to Estates programmes and projects.
- Endorsing new risk management processes and the Commission’s enhanced role in reviewing strategic risks.

³ www.parliament.uk/business/committees/committees-a-z/other-committees/house-of-commons-commission/minutes/



The Commission is supported by two Select Committees of the House: the **Finance Committee** and the **Administration Committee**, which act as advisory bodies to the Commission. Each Committee is chaired by one of the backbench members of the Commission: Dame Rosie Winterton MP chairs the Finance Committee (chaired by Nick Brown MP until 24 October 2016) and Sir Paul Beresford MP chairs the Administration Committee.

The Commission is also supported by the **Administration Estimate Audit and Risk Assurance Committee**. Membership of the Committee comprises the chairs of the Finance and Administration Committees, one of the backbench members of the Commission (Rt Hon Tom Brake MP), the external members of the Commission (one of whom, Dame Janet Gaymer, chairs the Committee) and an independent expert member.

The Committee advises the Commission and the Accounting Officer and has oversight of the work of Internal Audit and the work carried out for the House by the National Audit Office.

Following a review of the risk management framework, the Administration Estimate Audit Committee reviewed its terms of reference in order to allow it to take on a greater role in risk assurance. The Commission agreed the changes proposed by the Committee, including changing the Committee's name to the Administration Estimate Audit and Risk Assurance Committee. Since April 2017 the Committee has been providing assurance to the Commission, and to the Accounting Officer, that risks are being effectively managed by the organisation and monitored by the Executive Committee. More detail about the Audit and Risk Assurance Committee is provided in the Governance Statement (page 39) and in their own annual report (page 99).

Executive Committee

The management of the House Service and its operations is delegated by the Commission through an Instrument of Delegation to the senior officials who form the House of Commons Executive Committee.

The current membership of the Executive Committee is:

Ian Ailles,
Director General of the House of Commons (Chair)

David Natzler,
Clerk of the House

Myfanwy Barrett,
Managing Director of Corporate Services
and Director of Finance.

The Clerk is Accounting Officer, Corporate Officer and Data Controller, and responsible for ensuring proper stewardship of resources and for maintaining an appropriate system of internal controls. He issues delegation letters to the heads of each Team of the House on appointment, and they receive an annual budget letter. They submit to him an annual letter of assurance, setting out how they have ensured the effective and efficient management of the responsibilities delegated to them and their Team by the Clerk.

The Executive Committee is accountable to the Commission for the delivery of the strategy for the House Service. Day to day operation of services is managed on behalf of the Executive Committee by the Board (see below).

The Executive Committee is supported by the Board and holds the Board to account for delivery of the strategy, performance and risk, and supports the Corporate Officer and Accounting Officer in meeting his statutory duties. The Executive Committee in its current format was established on 25 April 2016.

Work of the Executive Committee in 2016–17

	April 2016–March 2017
Formal quarterly meetings	4

The Executive Committee met quarterly to hold the Board to account for the performance of the organisation and to provide assurance on risk. The agendas and minutes of these meetings are published on the Parliament website.⁴

As a sub-committee of the House of Commons Commission, the Executive Committee also met informally before and after each meeting of the Commission, to ensure that papers were prepared by the House of Commons Service to enable the Commission to fulfil its remit and receive appropriate advice, and that follow up action was taken in relation to the Commission's decisions.

⁴ www.parliament.uk/mps-lords-and-offices/offices/commons/executive-committee/executive-committee-publications/executive-committee-papers/

The Board

The Board is responsible for the delivery of the House's strategic objectives; the efficient and effective conduct of business; regular performance and risk management; addressing operational issues and managing performance. The Board was established on 25 April 2016, and its membership during the year was:

Ian Ailles, Director General of the House of Commons (Chair)

David Natzler, Clerk of the House (by virtue of office)

Myfanwy Barrett, Managing Director of Corporate Services and Director of Finance

John Borley CB, Managing Director, In-House Services (until September 2016)

Carlos Bamford, Managing Director, In-House Services (from September 2016)

John Bengler, Clerk Assistant and Managing Director, Chamber and Committee Team

Brian Finnimore, Managing Director, Strategic Estates (from June 2016)

Penny Young, Librarian and Managing Director, Research & Information and Participation

Rob Greig, Director of the Parliamentary Digital Service (PDS)

Paul Martin, Director of Security for Parliament (until September 2016)

Eric Hepburn CBE, Director of Security for Parliament (from September 2016)

Lee Bridges, Head of Communications

Tom Goldsmith, Head of the Governance Office (until October 2016)

Marianne Cwynarski, Head of the Governance Office (from October 2016)

Mark Hutton, Leader, Implementation of the Director General's Review (until June 2016)

Annette Toft, Leader, Stepping up and Ways of Working Programmes (from June 2016)

Patsy Richards, Leader, Customer Programme (from September 2016)

Edge Watchorn, Leader, People Programme (from September 2016)

Work of the Board in 2016–17

	May 2016–March 2017
Formal meetings	45 (including two joint meetings with the House of Lords)

Decisions of the Board are published on the Parliament website.⁵

The Board monitored the performance of the organisation principally through monthly consideration of data on performance against corporate key performance indicators, the financial health of the organisation and the status of principal risks. This monthly report also includes information on risk and performance issues escalated from Teams or programmes/projects. The Board agreed policies to enable the delivery of the corporate strategy; and held quarterly meetings to focus on individual strategic outcomes.

Other governance bodies

Information Authority

The Information Authority, which comprises the Director of Security for Parliament, the Director of the Digital Service and the two Senior Information Risk Owners (SIROs), replaced the Cyber Authority in January 2017. The Information Authority is designed to deliver increased benefits from parliamentary information for Members of both Houses, staff and the public, while monitoring access to information for which the Boards of the two Houses are responsible. The Authority owns and makes decisions on matters of cyber security on behalf of the two Boards (for which the Cyber Authority had been responsible during the earlier part of the year)

Joint Investment Board

The Joint Investment Board is responsible for overseeing investment spending on estates and digital projects across the two Houses. During the year the Board has worked closely with the Enterprise Portfolio Management Office to review delivery of projects and programmes funded from the Medium-Term Investment Plan, as well as playing a role in prioritising projects and programmes for the next financial year. Working with the EPMO the Board has also approved new guidance on business cases and new rules for categorising projects, which will improve governance and oversight of the most critical projects.

Senior Remuneration Committee

On 14 December 2015 the Commission agreed to the recommendations of the review of senior pay governance, which included the establishment of a Senior Remuneration Committee. The Committee's role is to advise the Executive Committee about the reward framework for staff in the Senior Commons Structure (SCS) and make recommendations to the Clerk of the House on non-consolidated awards for SCS staff. The Committee is chaired by an independent non-executive member. During the year the Committee has conducted a review of the process for making non-consolidated awards and has provided updated guidance to managers on the criteria for such awards. The Committee is currently conducting a review of the reward framework which will be considered by the Executive Committee in 2017–18.

⁵ www.parliament.uk/mps-lords-and-offices/offices/commons/the-board/board-decisions/

Performance Report

1. Overview

a. Our strategy

Work to develop a new strategy for the House Service for the 2015 Parliament took place in late 2015 and early 2016. In April 2016, the Commission approved a new strategy for the House Service. Central to this is the vision of “supporting a thriving Parliamentary democracy”.

b. Strategic objectives

To deliver this vision we have set ourselves three strategic objectives:

Facilitating effective scrutiny and debate – We will work as a team to support the business of the House. We will provide MPs with outstanding professional expertise, advice, research, facilities and technology, based on a sound understanding of their needs and priorities. Whatever our role, we will be valued by MPs for our expertise, empathy, innovation and customer service.

Involving and inspiring the public – We will open up the House of Commons to the public and show how it is essential to democracy, and changing for the better. Focusing particularly on the young and marginalised, we will create and promote opportunities to engage in the House’s work, make it relevant and accessible, and challenge misconceptions. We will facilitate representation and enhance the reputation of the House in the UK and internationally through our work.

Securing Parliament’s future – We will steer the House through the challenges it faces, balancing innovation with respect for cherished practices. We will work with the House of Lords to protect and enhance the physical fabric of the estate, protect Parliament from threats and prepare for the future, while maintaining vibrant democratic processes. Whatever our role, we will respond flexibly to changing demands.

c. Summary of expenditure 2016–17

Voted Departmental Expenditure Limit equivalent (£m)

	Estimate	Outturn	Voted outturn compared with Estimate
Resource	226.8	211.0	15.8
Capital	69.5	46.9	22.6
Total	296.3	257.9	38.4

2. Performance Analysis

a. Aims and achievements

Introduction

This section explains the work that has been undertaken to meet our strategic objectives outlined on page 18, focused on delivering the commitments contained in the House of Commons Corporate Business Plan for 2016–17⁶.

Certain services based within the House of Commons Service are undertaken on behalf of both Houses⁷. The two Houses have joint stewardship of the Palace of Westminster and joint responsibility for many parliamentary services including the Digital Service and the Security Department. Each House also incurs administration costs on the other's behalf and these are recharged; services in this category include the Visitor Services team which is hosted in the House of Commons and the Parliamentary Procurement and Commercial Services team, which is hosted in the House of Lords. Certain security and mail service operational costs are monitored jointly but billed separately to the two Houses. While costs are strictly apportioned between the two Houses (and the Financial Statements starting at page 70 refer to the House of Commons share only) the performance analysis relates to the services and activities as a whole.

Facilitating effective scrutiny and debate

Support effective committees

We know that MPs value highly the range of services we provide to support them to participate in the work of the House and its committees. However, we have identified through their feedback a number of ways to tailor our services even more precisely to their needs, to provide the conditions for effective scrutiny and debate. We therefore want to measure the impact of select committees and base our resourcing decisions and advice on evidence of the most effective ways of working. To help us do this, we commissioned the Institute for Government to produce a toolkit to help committees evaluate their own effectiveness. Their work has now been delivered and the Committee Office Management Group is considering how best to use it.

To help increase the impact of select committee work we need to ensure that hearings and reports are publicised in the media and also through social media. We have media specialists to support select committee teams with advice on media handling. We regularly review data on media and social media coverage of committee activity to examine which channels are the most effective in getting our message across. Work is being taken forward in 2017–18 to assess whether there is scope to add value by benchmarking that data.

Appearing before a select committee can be a daunting experience for some people. While we seek feedback anecdotally, we have developed a survey to explore the experiences of people who appear as witnesses at committee hearings in a more systematic way. This will help us to tailor the advice and information we can give to witnesses in the future. The timescale for piloting this survey has been delayed because of the General Election, but it will be piloted early in the new Parliament and rolled out to all Committees before the end of 2017–18. We have also developed plans for a survey of Committee members, with a view to piloting this and rolling it out to all Committees before the end of the year.

A number of committee evidence sessions held away from Westminster have been live-streamed.

⁶ www.parliament.uk/mps-lords-and-offices/offices/commons/executive-committee/executive-committee-publications/annual-business-plans/

⁷ Note 16 of the accounts details the shared services between the Houses

Deliver authoritative and engaging information and advice

We provide authoritative, user-friendly information to MPs about the business and procedures of the House and its committees, and the topics for scrutiny and debate. We want to deliver information and advice in an engaging manner, which meets the needs of MPs in supporting their work in the Chamber, in committees, in tabling questions and in dealing with their constituents' enquiries.

In this increasingly digital and mobile age we need to ensure that the way in which we produce our research output meets the needs of busy MPs. While research briefings are still read in hard copy, they are increasingly likely to be read on a mobile device while on the move. During 2016–17 our research teams and digital specialists worked together to pilot a new approach for writing online. To do this in the most effective manner possible required looking at both the content of briefings and the way they are structured to be read on different mobile devices, ensuring that material is accessible and easy to navigate. The results of this work will be implemented in 2017–18. We have also reviewed our Library briefings that focus on legislation to ensure they meet MPs' needs proportionately and efficiently.

We use our knowledge and expertise in Parliamentary procedure to help inform development of the way in which the House of Commons operates. In 2016–17 staff in the Chamber and Committees Team provided evidence to Procedure Committee inquiries on Estimates and English Votes for English Laws, and contributed to the Government's own Technical Evaluation of English Votes for English Laws.

To improve the co-ordination of procedural training for our staff we have started to draw up plans for a Clerks' Professional Qualification. This aims to ensure high standards of knowledge in Clerks below SCS grade and offer objective evidence of procedural knowledge to allow staff to move between a wide range of posts. We have developed a syllabus and have made some good progress in identifying possible academic institutions to act as partners. A pilot will now take place in 2017–18.

Provide essential technology

A new Digital Strategy for Parliament was agreed in Spring 2016, which was the result of discussions across both Houses involving MPs and Peers, their staff, staff of both administrations and external consultation. This is centred around the vision of 'excellent digital services for a modern Parliament', and is now in the process of being implemented.

We have a deep rooted legacy of applications, processes and infrastructure which need to be moved to a digital by default, responsive, cost effective and adaptable service. To help achieve this, the Digital Service has restructured its staffing and the way it relates to the rest of the organisation. We now need to build our digital capacity and capability, and provide MPs, their staff and staff of the House Service with secure technology that works, a programme of training opportunities, and a responsive support service.

To reduce the risk of network failure and improve the reliability of services across the Parliamentary Network we are in the process of moving Parliamentary applications to the cloud. As of March 2017 97% of Parliamentary applications had been moved. This, in turn, should help improve customer satisfaction.

We are developing a new network infrastructure which will mean improved and sustained reliability and security across the Parliamentary network, and will offer improved flexibility to move staff between buildings. We have also introduced 100 additional Wi-Fi access points across the Parliamentary Estate which means that people can easily connect to Wi-Fi wherever they are and have more flexibility in where they choose to work.

To improve customer service, response times and learning and development for our frontline staff we have restructured our first and second line support into 'pods' – home groupings for our Service Desk and engineering staff to work together and take the lead on specific products and services that the Digital Service offers. All customer service 'pod' team leaders are now in place and the interim Head of Live Services is staying on to embed the pod structure and its associated improvements.

We are finding better ways to handle the level of Digital Service Desk phone calls from internal parliamentary users. In January 2016 we appointed an external service partner to provide overflow help at busier times as well as appointing a Problem Manager and Incident Manager. This has improved our Service Desk call-answering performance. In 2016–17 88% of all service calls were answered within 20 seconds (target 80%). In 2015, we only answered 40% within 20 seconds and call answering times were sometimes over three minutes.

In 2016–17 we started to make Microsoft Office 365 and its suite of tools including Outlook 365, SharePoint and OneDrive available to all Parliamentary users. This will enable us to reduce storage costs (as more files are saved in the cloud, which is cheaper than using on-site servers); improve our ability to share information across Parliament and improve the ability of staff to work in a smarter and more collaborative way. We're providing training in to users to ensure people can make the most of these tools.

We launched a new Business Partner model for the Digital Service in October 2016, which will act as a conduit between the Digital Service and the rest of the organisation. We are committed to their development and ensuring they are able to provide business areas with meaningful leadership and advice on digital matters. Business areas see their Digital Business Partners as enablers, and all of them have taken a leading role in the development and progression of their area's team/departmental business plans.

More than a third of the staff in the Digital Service were recruited during 2016–17. To ensure that they can all fulfil their potential and have the necessary skills to support our strategy, we have invested in a wide range of training, and bespoke development plans for individuals who joined through our 'recruit to potential' scheme.

Provide a clear and consistent service to MPs' staff

In summer 2016 the Administration Committee endorsed a short study, undertaken by our internal MPs Interview Project group, to consider views of the services provided around the Chamber. The vast majority of the MPs and MPs' staff who were interviewed as part of this project reported that they received a high level of service from all staff who were involved in supporting MPs in their parliamentary business.

One of the first actions taken to address the findings of this review was the creation of a 'Procedural Hub' – a one-stop shop for procedural enquiries, located in the Members' Library. A more detailed action plan in response to the survey was agreed in January 2017, and the main themes were:

- Make it easier for MPs and their staff to access procedural services, and to signpost more clearly how and where such services can be accessed.
- Improve information about House business and, specifically, to improve the quality and availability of training and development activities that are offered to MPs and their staff.
- Focus more on the support that we offer to MPs' staff. It is clear from the report that many MPs increasingly use their staff to support them in their parliamentary activities, but that this is not recognised in the way a number of our services are structured or provided.

More broadly, we will re-examine the procedural services we provide to ensure that they better recognise the role played by MPs' staff. In particular:

- The Procedural Hub will re-open in the new Parliament in Portcullis House with much of the information and many of the services designed to provide further information and advice to MPs' staff in a location viewed as more accessible to them;

- The new electronic Questions system is designed to give more explicit recognition to the role of authorised MPs' staff in preparing and tabling parliamentary questions;
- The procedural offices are considering the arrangements each have in place for working with MPs' staff with the appropriate authorisation to see how far those processes can be aligned and made more accessible.

In September 2016 we launched the constituency casework 'Help Hub'. This online hub has been produced as a way of supporting caseworkers – often based in constituencies rather than at Westminster – to deal with enquiries and questions they may receive from members of the public. Our research specialists have produced pages for the Hub which include key information, contact recommendations and links to topical briefings. This covers topics that MPs' constituents frequently ask about, such as entitlement to benefits, immigration casework and tax credits. We are monitoring the use of the Hub with Google Analytics.

During 2016–17 we hosted twelve constituency roadshows across the country – from Exeter in Devon to Perth in Scotland, Belfast, Cardiff, Leeds, Nottingham and London. These events provide information for MPs' staff based in constituency offices on a wide range of topics, all of which are focused around how they support their MP. This includes tabling Parliamentary Questions and amendments; how to obtain publications from the Vote Office; accessing research briefings; the outreach and education services we provide, along with advice on personal security, data protection and Freedom of Information.

In addition, we piloted three constituency office training sessions, where we provided training to groups of MPs' staff in Stoke, Manchester and Wiltshire. These will continue on 2017–18, although plans have been delayed by the election.

Respond to feedback

The strategy for the House Service puts the customer at the centre, and requires us to achieve the satisfaction of internal and external customers. In summer 2016 we established our Customer Programme, which aims to ensure that our services are appropriate, offer value for money, and help MPs be effective in holding the Government to account and representing their constituents. Our customers also include MPs' staff, the public (whether as visitors to Westminster or more widely) and our own staff as internal customers of other teams' services. We know that we need to deliver services and interact with and listen to customers more consistently, as one team; customers' experiences rarely relate to just one team.

We have established a customer service implementation team supported by customer champions across the organisation. One of the first pieces of work to be completed was to map customer journeys in real time, to identify what we do well and how we can work together more effectively to provide improved services that meet our customers' expectations. The three customer journeys we opted to look at were democratic visitors, staff joining and induction, and a day in the life of an MP. These in-depth reviews have resulted in a wide range of actions that we are in the process of implementing to provide a better, more joined-up service.

We have developed a customer satisfaction framework, drawing on external best practice, so that we can measure satisfaction in a more consistent manner than before. Working with the customer champions, each Team has agreed an approach to measuring customer satisfaction for their key services and activities. Some measures are already in place with many more coming on stream during 2017–18. For example, we already undertake periodic call-back exercises in the Library to check that research enquiries met the need of the MP requesting the information. We provide an opportunity for people to provide feedback after Digital Service Desk and maintenance cases are completed. We also undertake a catering survey twice a year.

We have also looked at how we handle feedback from customers – both internally and externally – covering compliments, complaints and comments. A new approach will be piloted in the first part of 2017–18 with a view to extending it further later in the financial year.

We have created an Evaluation and Insight Team in Research and Information to support work across the House on evaluation, impact and outcomes. In 2016–17 the Team contributed to the development of a new staff survey (see page 30), has provided input to the Customer Programme and started planning for how we build on work to interview MPs about their views of our services.

Involving and inspiring the public

Communicate proactively

In 2016–17 we developed a communications Centre of Excellence to coordinate and integrate communications across the House Service, by establishing minimum standards, sharing good practice and increasing the impact of communications activity. We have implemented a unified communications plan to support the House's Strategy, and have also developed a plan to maintain and enhance the reputation of the House, one of the key outcomes of the strategy.

To improve our communication with MPs and their staff we have developed a new fortnightly MP communication with updates on what is happening around the Estate and to provide them with pertinent customer information.

In addition to regular briefings for Westminster press, we have held a number of briefings for regional media outlets, including a joint event with the Leader of the House at the Yorkshire Post offices in Leeds.

Social media is an increasingly important part of the way in which we communicate and engage with the public, and our social media channels are growing all the time. The UK Parliament Twitter account was the first Parliament to get over 1 million followers. The following figures help to illustrate our activity for 2016–17:

- We now have 348,115 Facebook followers – an increase of 25% over the last year.
- Our top Facebook post (based on reach) was “Catch up with Theresa May's first PMQs” on 31 August 2016 with 1,362,579 people reached and 55,000 views.
- Twitter followers – 1,220,000 (22% increase over the last year).
- Our YouTube channel has also continued to grow strongly in the past year. We now have 26,872 subscribers (96% increase), 4.6 million views (50% increase) and it was viewed for a total of 32.8 million minutes (67% increase)

Publish open and accessible content

Data.parliament.uk was originally developed in 2014 and is our response to the growing demand for open data, which is the policy of making data produced by public sector bodies freely available so that it can be re-used. We hope that this will encourage public understanding of the work of Parliament and enable citizens to find out more easily about the work Members of both Houses of Parliament have been doing on their behalf. We are now developing the next iteration of our data service and building a community of data best practice across Parliament. We review our data regularly as part of this. This will mean:

- An increased quantity of data online for use by everyone.
- Compliance with recognised standards of data accessibility, quality and reusability.
- A stable and sustainable platform for data. parliament with a simple publication process.
- Our data sets will be more up-to-date than ever before.

A new website for Parliament

The strategic review of Parliament's online services, undertaken by mySociety in 2014⁸ identified a number of weaknesses with our website, including the use of outdated technologies and poor search functionality. This all leads to an unsatisfactory service for MPs, Peers, their staff, parliamentary staff and the public. In reality Parliament has many different websites, which are the product of different teams and departments. This creates information silos with minimal links between related items; narrow pathways; poor signposting, and frequent dead ends for users. There are also issues with the website's content: information is often confusingly duplicated across the website. The first step to improving this situation was to bring together a single, dedicated content team.

In 2015–16 extensive user research was undertaken, and in 2016–17 we started to design and build the new website. In late 2016 the team started to focus on the release of a beta version of a section of the website, which we achieved in February 2017. The beta phase is intended to build a working version of the pages, based on our prototypes, test it with users, and make improvements based on feedback. In doing this we have followed much of the public sector best practice, outlined in the Government Digital Service (GDS) Service Manual. We have prioritised our work based on user needs and we have developed our infrastructure to take advantage of all the benefits of public cloud services. This initial work will not include as much content as the current website, so it will not be an immediate replacement. The new website pages will run in parallel under a separate 'beta' subdomain allowing us to test our new services, get feedback and develop new iterations accordingly.

Go to where the people are

In 2016–17 more than 75% of our outreach activities took place away from Westminster. We updated our programme of public engagement events, workshops and programmes. This included some new activities:

- **Acts in Action** films (part of the Your Parliament project)
- **Your Parliament** hub
- **Your Parliament on Your High Street** – The first of these events took place in Birmingham and included a range of activities for adults, children and community groups to learn more about the role of Parliament.
- The **Impact Stories** project, outlining how getting involved makes a difference.

We piloted a **Your Parliament** zone in Westminster Hall to assess whether this might be viable as a permanent fixture. In the event, involvement from the general public was limited as many people were just passing through on the way to engage in business of the House.

Focus on the young and marginalised

We welcomed a total of 106,583 school visitors to Parliament in 2016–17. Customer satisfaction forms were amended in April 2016; teachers were asked to give a score out of five for the tour, workshop and key message. We exceeded the target of 4/5 for all three areas in every reporting month of 2016–17. We would like to expand our education outreach programme so that we can increase the number of students reached around the four nations of the United Kingdom. We have developed proposals for how this might be achieved, and a funding decision is expected soon.

We have refocused our community engagement work in 2016–17 and aim that 70% of activities are delivered to young and marginalised groups. We met or exceeded this overall for 2016–17 and in eight of the 12 months individually.

⁸ www.parliament.uk/documents/news/2014/mysociety-report-on-online-services.pdf

EMPOWER! is our programme for Adults with Learning Disabilities (ALD). It aims to empower and enable adults with learning disabilities to make civic engagement choices throughout their lives. In addition to running events and training sessions in different parts of the country, we have recently produced a new range of film resources which are being uploaded to our YouTube channel.

Promote parliamentary democracy internationally

We are working with the Department for International Development and Westminster Foundation for Democracy to deliver effective continuation of the support programme with the Parliament of Burma-Myanmar, including through the secondment of House of Commons officials. In addition, we have been working with the French Assemblée Nationale and the Westminster Foundation for Democracy to support delivery of the first year of the two-year EU-funded twinning programme agreed with the Morocco House of Representatives.

Securing Parliament's future

Carry out and prepare for major renovation of the Palace of Westminster

The Joint Committee on the Palace of Westminster published its report *Restoration and Renewal of the Palace of Westminster* on 8 September 2016.⁹ The Committee concluded that:

- There is a clear and pressing need to tackle the work required to the Palace of Westminster and to do so in a comprehensive and strategic manner to prevent catastrophic failure in the next decade.
- In principle, a full decant of the Palace of Westminster presents the best option under which to deliver this work.

However, publication of the Joint Committee's report is just one stage in the progress of the Restoration and Renewal Programme. The report needs to be debated by both Houses so that the principal recommendations can be endorsed. After this, legislation needs to be passed in order to establish a Sponsor Board and Delivery Authority. It was initially envisaged that the report would be debated in the autumn of 2016, but this has not yet taken place. The House of Commons Public Accounts Committee also concluded in their report¹⁰ that the House swiftly proceeds to a decision in principle and that the decision is to pursue a full decant of the Palace whilst it is restored.

Although some preliminary work has been done on the implementation of the Committee's recommendations, in the absence of a Decision in Principle from the two Houses it has not been possible to let the Client Advisory Services contracts which would give the Programme Team the capacity to develop further design work. However, in the absence of these services, the Programme Team has been working with committees of both Houses, including the Joint Committee on the Palace of Westminster, to support the decision-making process; produced a brief for the incoming design team, drawing on the Joint Committee's recommendations and technical reports and surveys of the Palace; further develop options for temporary accommodation for both Houses, in line with the Joint Committee's recommendations; and further develop proposals for the establishment of an arms'-length delivery body. (The Northern Estate Programme completed the procurement of their Client Advisory Services in January 2017.)

⁹ 2016–17 HC 659 / HL Paper 41

¹⁰ 'Delivering Restoration and Renewal', Public Accounts Committee, 45th Report, 2016–17 HC 1005

Decant accommodation

We continue to work closely with the Government Property Unit (GPU) on the potential availability of temporary accommodation for Restoration and Renewal. We have now completed an agreement to occupy Richmond House in Whitehall (currently used by the Department of Health), and design work has started. We have been engaging with MPs on requirements to the extent we can ahead of the Decision in Principle for Restoration and Renewal, and preparations for a planning application to Westminster City Council are in hand.

Elizabeth Tower

Ahead of the main restoration and renewal of the Palace of Westminster we need to undertake work on the Clock tower (now known as the Elizabeth Tower). Extensive conservation works were last carried out more than 30 years ago (1983-1985). Significant work and investment is now required to ensure it remains in good condition and is safeguarded for future generations. A three-year programme of essential works to conserve the Elizabeth Tower, the Great Clock and the Great Bell, also known as Big Ben, started in early 2017. The Pre-Construction Services Agreement was signed during January 2017. Enabling works for the site setup have progressed, with the construction of a permanent hoarding to Speakers Green and scaffold foundations in March 2017.

Fire safety improvements

Significant success with priority fire safety works on the Northern Estate have been delivered by the maintenance contractor such that 1 Parliament Street, 1 Derby Gate and Norman Shaw North are now fire life safety compliant. Work on fire safety in the Palace is continuing, and, while facing some challenges, is on track to meet the statutory fire safety deadline of December 2018.

Accommodation in 7 Millbank

A significant proportion of our staff are based in offices at 7 Millbank. We originally intended that in 2016–17 we would negotiate a new lease with the landlord and develop proposals to refurbish the building. At the present time the business case is currently on hold pending investigations with the Government Property Unit (GPU) to highlight potential opportunities for surplus space within the Government property portfolio, and the wider review of property requirements for the Parliamentary Estate.

Parliamentary Archives Accommodation

The Parliamentary Archives is a shared House of Commons and House of Lords service located in the Victoria Tower and adjacent offices within the Palace of Westminster. The Archives Accommodation Programme is exploring options for the relocation of the Parliamentary Archives and its services. During the planned restoration and renewal of the Palace, whichever option is chosen, the Archives would need to be relocated to specialist temporary accommodation. In view of the potential disruption and the many already long-standing problems associated with the current location, the purpose of the programme is to consider whether it would be better to find a new long-term home for the Archives. An Outline Business Case is now under consideration, although there has been some slippage in the timetable. There is also a dependency between this Programme and Restoration and Renewal Programme.

Relocation Contingencies Programme

The Houses of Parliament have jointly developed contingencies for an emergency or forced relocation of the Palace of Westminster, specifically to replace the loss of the Chambers and their essential supporting facilities. As things stand today, there are contingency plans to relocate into one of three venues within Westminster. All three venues are very willing to hire their venues to Parliament and have cooperated to assist us in developing the contingency plans, subject to their commercial availability. We are currently seeking to improve our options by securing agreement for a 'guaranteed' venue in the event of a forced relocation. Discussions at official level are on track to present the Leaders of the Houses and Ministers in the relevant Government Department the broad heads of terms of a recommended agreement before the summer recess.

Developing our capacity and capability

Parliament's Enterprise Portfolio Management Office (EPMO) was established as a Centre of Excellence for project and programme management in April 2016. The EPMO supports the Joint Investment Board to ensure Parliament's portfolio of (building, digital and business change) projects aligns with the Houses' strategic ambitions, keeps business running, and is carried out efficiently and effectively. In its first year the EPMO has focused on improving project governance and accountability; investment prioritisation; learning lessons and repeating successes, integrated assurance, and developing a community network for project staff.

In autumn 2016 we established our People Programme to raise the profile and impact of people development across the House, and to develop our capability to deliver our strategic outcomes. Working closely with HR teams this will focus on work in four main areas:

- Management capability – what skills do our managers need and how do we best support and develop them?
- Leadership capability – how do we best develop and use our senior leadership groups? What support or development do our senior leaders need?
- Career development – how do we ensure we provide fulfilling and varied career paths and development opportunities for people?
- Talent Management and succession planning – how should we identify and develop leadership and talent at all levels of the organisation? What succession planning principles and strategies do we need to ensure business continuity and resilience?

During the first six months we have put together detailed plans for all the different pieces of work required. This includes a new bitesize modular approach to management development; an expanded talent programme; a new coaching approach to people development including guaranteed career conversations for all; and the launch of a 'career connectors' network. We have made changes to the recruitment process for posts with line management responsibility, moving away from looking solely at experience and looking at potential and capability as well. We are keen to gain a better understanding of the barriers and enablers to career progression within the House Service, and are consulting staff on their experiences so that we can improve the way we support people's development.

We have continued to make progress in implementing our diversity and inclusion strategy. In 2016–17 we:

- Established a new talent development programme.
- Moved up 88 places to rank 28th in Stonewall's Workplace Equality Index, breaking into the Top 100 Employers list for the first time.
- Were awarded Silver accreditation in the Business Disability Forum's Disability Standard.
- Launched our fifth workplace equality network, ParliON, which is committed to supporting people from less-advantaged socio-economic backgrounds by identifying, and working to remove, barriers to opportunities for staff and raising awareness of issues related to social mobility.
- Met our 2017 target for black, Asian and minority ethnic (BAME) staff represented in the Senior Commons Structure (SCS).

Introduce new security and resilience capabilities

Following a review of the governance of security in Parliament commissioned in 2014, it was agreed by the administrations of both Houses that responsibility for all aspects of security should lie with the Parliamentary Security Director, as a single accountable security expert. In late 2014 it was also agreed that the Metropolitan Police Service's (MPS) civilian security officer workforce in-house should become Parliamentary staff, with the MPS retaining responsibility for their core functions of armed and unarmed policing. A Security Restructuring Programme was established in 2015 in order to implement these changes.

MPS security officers became Parliamentary staff in April 2016, and the final phase of the programme was completed in June 2016. A new Director of Security for Parliament was appointed with effect from 1 September 2016, and four teams now exist within a unified structure overseen by a senior leadership team.

Project Secure Away From the Estate (SAFE) was set up in September 2016 following the tragic death of Jo Cox MP in June 2016. The SAFE team:

- Provides personal security advice and training to MPs and their staff.
- Organises the installation of security measures recommended by the police for all MPs and paid for by IPSA (done through our contract partner Chubb).
- Provides MPs with security devices for when they are out and about, such as lone worker devices or personal attack alarms.

From May 2017 Project SAFE will become the Members' Security Support Service, coordinating the support available to MPs and their staff when they are away from Westminster. MPs' security outside the Parliamentary Estate remains with their local police force.

The Parliamentary Security Department has continued to improve physical and personnel security across the Estate. The Department awaits the recommendations of the Murphy Review on perimeter security (including armed policing) following the 22 March 2017 attack.

Cyber security

During 2016–17 we have undertaken a range of activity to address the cyber risk, including:

- Adding another protection layer for all parliamentary email accounts, to reduce phishing attacks.
- Improving our protection monitoring systems, in order to provide efficient detection and response to cyber attacks.
- An ongoing programme of awareness-raising in relation to cyber security, including:
 - Visiting MPs' constituency offices
 - Improving the training we offer to users, emphasising the importance of online safety at work and at home. We have updated our web pages, booklets and training workshops for MPs and their staff.
 - Introducing a new online cyber security training module, which over 3,500 users have now completed.
 - Running 'cyber awareness month' in February 2017, which included sessions from Twitter, Facebook, the Centre for the Protection of National Infrastructure (CPNI) and the National Cyber Security Centre (NCSC).

Seek to share more services with the House of Lords

In 2015 a bicameral Review of Joint Working recommended that there should be further investigation of the potential for improvements in efficiency and reduced bureaucracy, and in opportunities for staff, through further joint working between the two Houses. A bicameral programme team was set up to support this and a range of work has been undertaken. The Commissions of both Houses have asked for services in six business areas to be examined to determine the benefits of closer working: Official Reports, Internal Audit, in-house cleaning, catering, learning & development, and diversity & inclusion. Alongside this, work is continuing on the closer alignment of staff terms and conditions and HR and Finance ICT systems.

Ensure our long-term financial sustainability

The bicameral Efficiencies Programme has been running since 1 April 2016 and continues to look at a range of efficiencies including better use of the Estate, simplifying processes, digital opportunities, income generation and efficient use of resources. Some of the efficiencies proposals generate cashable savings and so far some £5 million has been identified towards the target to identify 10% of controllable resource expenditure – which equates to approximately £15.5 million – by 2019-20.

Commercial tours and associated retail activities generate income for Parliament, and in 2016–17 we welcomed a total of 230,140 visitors on commercial tours. The table below outlines our financial performance across commercial tours and retail. Note that these figures relate to the total amounts (Commons and Lords combined).

	Budget	Achieved
Commercial Tours		
Sales	£3.4 m	£3.6m
Contribution	£0.9m	£1.1m
Retail		
Sales	£1.9m	£2.0m
Gross profit	£1.0m	£1.1m
Contribution	£0.2m	£0.1m

In the summer of 2016 we undertook a small pilot of opening for commercial tours on Sundays. This showed there was the potential to expand further, but we are not yet in a position to do so because further discussions are required over how to fund the associated increase in police and security costs.

b. How performance is measured

In 2016–17 we developed a new performance framework which brings together high-level strategic measures and operational KPIs, mapped to each objective and outcome within the strategy. No single measure can capture performance completely, so we are using a range of measures from different sources and with varying frequencies to build up an overall picture of organisational performance.

A good proportion of operational KPIs are already in place, which cover key services including availability of House business papers; Hansard production; provision of Library enquiries and briefing papers; network and IT services; cleaning and maintenance. These are monitored by the Board on a monthly basis. Work on new strategic measures – focusing on customer satisfaction, reputation, sustainability and impact – is underway, and a wider range of data will progressively become available during 2017–18. The Commission will receive regular updates on strategic outcomes from autumn 2017.

c. Other corporate reporting

Staff engagement

The House of Commons and Digital Service undertake regular staff surveys to obtain views and feedback from staff about their work experiences. The surveys aim to help senior management understand what works well within the organisation, identify any potential areas of concern, and where improvements can be made. The Board is committed to encouraging engagement and investment in our staff; completing the surveys is an important part of developing the reputation and success of Parliament.

Following a series of several comprehensive annual surveys undertaken each summer, the Board agreed that shorter 'snapshot' surveys should take place twice a year. The first of these was undertaken in November 2016. The response rate was 58%. Employee Engagement was calculated using the set of questions asked in the Civil Service People Survey, which therefore allows for wider benchmarking. The Employee Engagement Index score for the House of Commons and Digital Service was 68% – nine percentage points higher than across the Civil Service.

80% of staff said they were proud to work for the House Service, which is 21 percentage points higher than the Civil Service average, although it is lower than the 2014 result (91%). Staff in the House Service are significantly more likely than the Civil Service average to be advocates of the House Service, to have a strong personal attachment and to be inspired to do their best in their job.

The Communications Office provides a range of accessible and innovative communications to maintain on-going dialogue with colleagues across both Houses and the Digital Service. They promote the work of the Board and the Executive Committee by communicating key decisions, providing strategic communications advice to leaders and supporting the senior leadership programme.

Supplier payment performance

In 2016–17 performance on the payment of supplier invoices within 30 days of receipt of an invoice was 91.8% which was an increase from the previous year's performance of 88.9%. There was also a 5% increase in the total amount of invoices paid in the year, with the Financial Services section paying 40,391 invoices in the financial year (38,478 in 2015–16). Work to upgrade the House's finance systems continued during the year, with the software upgrading to a new milestone in the year. Work also progresses towards a further upgrade in November 2017 before the House addresses the recommendations of the bi-cameral strategic review of finance and human resource management systems.

Climate change, sustainability and the environment

This sustainability report follows – as far as possible and to the extent it is appropriate – the template and guidance issued to Government departments in HM Treasury's Financial Reporting Manual. All the data (including expenditure) relate to Parliament as a whole.

GREENHOUSE GAS EMISSIONS¹¹

		2013-14	2014-15	2015-16	2016-17
Non-Financial Indicators (tCO ₂ e)	Total Gross Emissions for Scopes 1 & 2.	19,182	19,466	17,781	18,009
	Total Net Emissions for Scopes 1 & 2. (i.e. less green tariffs)	7,311	4,502	4,623	11,219
	Gross emissions Scope 3 business travel	1,353	1,264**	1,521	1,952
Related Energy Consumption (million kWh)	Electricity: Non-Renewable	5.38	0.0	1.05	27.2
	Electricity: Renewable	23.82	28.55	26.27	0.93
	Gas	25.76	24.33	24.56	29.214
Financial Indicators (£'000s)	Expenditure on Energy	4,256	4,263	3,835	3,996
	Expenditure on accredited offsets (e.g. GCOF)	0	0	0	0
	Expenditure on official business travel	N/A*	2,558**	4,632	5,398

Glossary

The following scopes of carbon dioxide (CO₂) emissions are defined in HM Treasury's Financial Reporting Manual:

Scope 1: Direct emissions of greenhouse gases

Scope 2: Energy indirect emissions

Scope 3: Emissions as a result of official business travel

tCO₂e: tonnes of carbon dioxide equivalent

kWh: kilowatt hours

GCOF: Government Carbon Offsetting Facility

* Information on business travel costs for 2013-14 was not available following a change in provider.

** Information on carbon emissions scope 3 (business travel) and business travel costs for 2014-15 refers to the period 01/09/14 to 31/03/15 only due to a change in provider.

¹¹ Parliament's total gross carbon emissions for 2016-17 reflect the 2016 conversion factors provided by the Department for the Environment, Food and Rural Affairs for reporting purposes. The 2017 conversion factors are currently not available at the time of publishing this report.

Performance commentary (including targets)

The main source of Parliament's carbon dioxide emissions is energy consumption across the Estate. Parliament's environmental improvement plan sets out the actions planned to improve energy efficiency continues and is updated annually.

Parliament's long-term target for absolute carbon dioxide emissions resulting from energy use is to reduce emissions by 34% by March 2021 relative to 2008-09 baseline levels. In order to meet this target Parliament's 2016-17 emissions should have fallen by 23.2% on baseline. In 2016-17 Parliament achieved a 22.8% reduction relative to its 2008-09 baseline year.

Although the target was not met at the end of the financial year, we have identified areas to improve, and ongoing issues which have had a short term negative impact on the annual figures for 2016-17 have been rectified.

All projects are required to identify environmental impacts to identify potential carbon savings.

A change in legislation in August 2015 means that all our electricity is now subject to a climate change levy. We are no longer able to purchase our electricity from climate change levy exempt sources.

Achieving a reduction in Parliament's direct carbon emissions continues to be a priority, but where appropriate, procurement specifications are used to encourage reductions in our supply chain. Parliament is working to develop a method to assess carbon emissions from its supply chain.



WASTE

			2013-14	2014-15	2015-16	2016-17
Non Financial Indicators (tonnes)	Total waste		1,484	1,929	1,467	1,778
	Hazardous waste	Total	2	2	4	4
	Non hazardous waste	Landfill	0	0	0	0
		Reused/ Recycled/ Recovered	874	1,205	918	1,136
		Incinerated/ energy from waste	608	723	549	641
Financial Indicators (£'000s)	Total disposal cost		466	440	561	539
	Hazardous waste - Total disposal cost**		N/A*	N/A*	N/A*	6,740.92**
	Non hazardous waste - Total disposal cost**	Landfill	0	0	0	0
		Reused/ Recycled	N/A*	N/A*	N/A*	89,071**
		Incinerated/ energy from waste	N/A*	N/A*	N/A*	72,682**

Notes:

* Parliament's previous waste contract did not break down costs by waste stream, but was priced on the basis of an aggregation of standing charges, costs per collection and per tonne. There was no breakdown of annual costs of hazardous and non-hazardous wastes.

** Information for hazardous waste and waste costs are from 1 November 2016 when a new waste contract commenced.

Performance commentary (including targets)

Parliament's long-term target for waste generated is to reduce the weight by 30% by 2020/21 relative to 2008-09 baseline levels. In order to meet this target waste generated was predicted to have fallen by 22.0% against the baseline by this point. In 2016–17 Parliament achieved a 16.9% reduction relative to its 2008-09 baseline. Work is continuing to enable Parliament to reach its long-term target for waste reduction.

Parliament's long-term target for recycling remains to recycle 75% of waste generated by weight by 2020/21. The target for recycling and recovery rate for 2016–17 was 69% with Parliament achieving a figure 64.1%. Parliament commenced a new waste contract from 1 November 2016 and is working in close partnership with our waste contractor in order to respond with agility to new opportunities to recycle and recover waste. The new waste contract also includes a requirement for collaboration and a continuous improvement process for driving waste recycling improvement which is expected will have a positive impact on our waste performance.

Parliament's general office waste is disposed of by incineration at an energy-from-waste facility.

Parliament operates with a zero waste to landfill policy.

Waste audits have taken place and training on the segregation of waste has been undertaken with those responsible for transferring and consolidating waste on the Estate. The final disposal of waste streams follows best practice end points.

Parliament continues to target a reduction in generation of waste and recycling rates as a priority, but where appropriate procurement specifications are used to encourage the supply chain to improve performance in these areas.

FINITE RESOURCE CONSUMPTION – Water

			2013-14	2014-15	2015-16	2016-17
Non-Financial Indicators (m ³)	Water Consumption	Supplied	122,533	145,200	116,176	91,567
		Abstracted	98,691	88,641	82,010	94,793
Financial Indicators (£'000s)	Water Supply Costs		276	383	275	204

Performance commentary (including targets)

Parliament's long-term target for water use is to reduce the volume used by 50% by March 2021 relative to 2008-09 baseline levels.

In order to meet this target Parliament's 2016–17 water use should have fallen by 34.8% against the baseline. In 2016–17 Parliament achieved a 43.1% reduction relative to its 2008-09 baseline year, putting Parliament on a trajectory to meet our long term target.

Smart water meters have been installed across the whole Parliamentary Estate which enable the Environment Team to closely monitor water usage, highlighting leaks and identifying instances of high consumption requiring priority action. A water audit was undertaken for the Norman Shaw buildings and Portcullis House which highlighted areas where we could improve water management, which were acted upon.

Parliament continues to prioritise a reduction in its use of water. In addition, where relevant procurement exercises have potential impact on water use, specifications are used to encourage the supply chain to improve water efficiency.

Information rights (Freedom of Information)

In 2016–17 the House of Commons replied to 555 requests for information which were handled under either the Freedom of Information (FOI) Act or the Environmental Information Regulations. We met the statutory response deadlines in 98.9% of these cases.

The House publishes a list of its responses to FOI requests where some or all of the requested information was disclosed. This can be viewed on our disclosure log on the Parliament website at www.parliament.uk/site-information/foi/foi-and-eir/commons-foi-disclosures/ Our main FOI page at www.parliament.uk/site-information/foi/ contains information about our publication scheme, how to make an FOI request and our transparency publications.

Personal data incidents

The House of Commons actively encourages the reporting of all information incidents, including low level or localised incidents. We continually seek to manage the risks to all our information, ensuring that any weaknesses are identified and improvements made. In the year 2016–17, none of the incidents reported were judged to be significant and did not meet the threshold of being reported to the Information Commissioner's Office (ICO). Additionally, none of the incidents related to the loss of inadequately protected electronic equipment or devices or insecure disposal.

Health and safety

At Parliament, we place great importance on protecting the health and safety of all those who visit or work in our premises. As well as being the place of work for MPs, Peers, their staff and staff of the administrations of both Houses, the Parliamentary Estate has thousands of visitors each week. There is also an extensive programme of construction and maintenance activities and the safety risks need to be carefully managed.

In 2016–17, 218 incidents and near misses were reported to the Parliamentary Safety Team. Four of these incidents were reported to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

Of the 218 reports, 146 reported an injury; the most frequently reported cause was as a result of a slip, trip and/or fall, which is in keeping with the national picture. 72 incidents were near misses i.e. narrowly avoided accidents where no injury or damage occurred; in the region of 50% of these were caused by 'premises faults' – damaged carpet, poor lighting, wet floor etc. Incidents involving premises faults are forwarded to the Parliamentary Maintenance Service Team for repair. Four of the incidents were classified as having the potential to cause serious harm.

Food and catering procurement

The House of Commons Catering Service recognises its responsibility to carry out its activities in an environmentally and socially responsible manner. It exhibits leadership and strength in its sustainable procurement initiatives and works closely with its own team, nominated suppliers, recognised trade associations and the community at large to deliver on a range of responsible initiatives. Some of the key features of our approach to food and catering procurement are as follows:

- We source food that meets UK or equivalent standards of production and actively seek out food produced to higher environmental standards where possible.
- We only purchase seafood from sustainable, well-managed sources and continuously audit products against the Marine Conservation Society's 'Fish to Eat' ratings.
- We promote seasonal fresh produce on our menus.
- We only purchase meat and poultry that meets UK welfare farm-assured standards.
- We only purchase free-range fresh eggs and free-range pasteurised egg products.
- All our coffee and tea is fairly traded.
- All our products are fully traceable to source.
- The products we source do not knowingly contravene any of the International Labour Organisation (ILO) conventions regarding working age, hours, pay, conditions or safety.
- Our bottled water supplier, Belu, is a social enterprise business and environmental brand. The company donate 100% of their profits to the charity WaterAid. They are also completely carbon neutral.

Catering Service outreach work

For the last ten years, our Catering Service has been involved with two work experience projects. 'Adopt a School' is a charity that organises training initiatives and the scheme is organised by the Royal Academy of Culinary Arts. It is aimed at children aged six to nine and teaches them about healthy eating, senses and flavours. The sessions are run by an Academy member or an organisation who 'adopt a school' over a number of years and each year spend two or three days with the school teaching the children in a fun and interactive way. We have also been working with the Oasis Academy Shirley Park School in Croydon for three years, offering work experience placements in the House of Commons Catering Services for ten students aged 15–16 each year.

Auditors

The Comptroller and Auditor General audits the financial statements of the House of Commons by agreement.

His certificate and report is included in the accounts on page 68. The external audit cost of the House was £85k represented as a notional charge. Further information is provided in Note 3 to the accounts.

David Natzler

Accounting Officer

11 July 2017



Accountability Report

1. Corporate Governance

Statement of Accounting Officer's responsibilities

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

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

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

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

The responsibilities of the Accounting Officer include:

- 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, as set out in Managing Public Money published by HM Treasury.
- confirming that as far as he is aware there is no relevant audit information of which the auditors are unaware; he has taken all the steps he ought to have taken to make himself aware of any relevant audit information, and to establish that the auditors are aware of that information.
- confirming that the annual report and accounts are fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgements required therein.

Governance Statement¹²

Introduction

As Accounting Officer, I am required to prepare an annual governance statement. This statement records the stewardship of the House of Commons Administration, drawing together evidence on governance and risk management. The statement is intended to give a sense of both the House of Commons Administration's vulnerabilities and also how the organisation has coped with the challenges it faced during the year.

Governance framework of the House of Commons

The House of Commons Commission is the ultimate authority for the administration of the House, but day to day management of the organisation is delegated to the House of Commons Executive Committee. As Accounting Officer I am mindful of HM Treasury's guidance on the scope of the governance statement as it applies to Government departments, but I emphasise that the House's constitutional and governance circumstances are different from those of Government departments.

Likewise, the extent to which the House Service is able to follow the Treasury's Corporate Governance Code will differ. Significant variations from the Code include the fact that the Executive Committee is not equivalent to the single management board of a Whitehall department. I am content that the House Service's structure meets the overall objective of separating policy and operations, and that the necessary element of non-executive challenge and scrutiny is available through the external members of the Commission and the Audit and Risk Assurance Committee.

The Governance framework of the House has undergone substantial changes following the report of the House of Commons Governance Committee and the subsequent House of Commons Commission Act 2015, as well changes arising from an organisational review conducted by the Director General, the results of which were agreed by the Commission on 25 April 2016. This statement reflects the governance arrangements which have operated from 25 April 2016, and are set out on page 10. More information about the transitional arrangements can be found in last year's statement.

The changes ensure that the Commission has greater oversight of the work of the House Service and stronger involvement in setting its strategic direction. The Commission, Finance, Administration and Audit and Risk Assurance Committees are also working much more collaboratively, supported by the Governance Office.

This year has seen the establishment of a Senior Remuneration Committee, who advise the Executive Committee about the reward framework for SCS staff and provide me with recommendations on non-consolidated awards for SCS staff. The Committee is chaired by an independent non-executive member.

The Executive Committee is accountable to the Commission for the delivery of the strategy for the House Service, while the day to day operation of services is managed on behalf of the Executive Committee by the Board. The Executive Committee held formal meetings on a quarterly basis, and met informally before and after each meeting of the Commission.

During the year, the Board held weekly meetings. Over the course of the year its membership changed, as under its Terms of Reference members of the Board are not simply there by virtue of running a department or functional area. This resulted in the Board comprising of the leaders of the programmes delivering the House Service strategy (Implementation of the Director General's Review; Stepping up; Ways of Working; Customer; and People) as well as the heads of Teams. When the Board was set up, it was agreed that its operating arrangements would be reviewed after a year, and this is in progress.

¹² The House of Commons Members' Estimate is the subject of a separate Governance Statement published with the House of Commons Members' Annual Accounts.

Following the recommendation of the Director General's Review, we have moved to a new organisational structure, which is comprised of eight broad functional areas, which are designated as Teams and two supporting offices. These are listed on page 10.

I am pleased to report that during the year business as usual activity continued and the House's decision-making processes have operated effectively. The House Service has continued to provide excellent services to MPs, and I am sure that this will continue as we look to make further changes in the coming year.

System of Internal Controls

As Accounting Officer, the governance statement represents my assurance that I am satisfied that the organisation's system of internal control is effective.

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

The House has a system of risk management which is reviewed annually by Internal Audit. My review of effectiveness describes a number of risk management developments that have been implemented during the year to address issues previously raised in internal audit activity.

At the beginning of the year, the interim Executive Committee had oversight of eight strategic risks falling out of the corporate business strategy. The Committee also had sight of the top critical business risks, derived from Team and Section risk registers, that would 'very materially damage the institution' plus also visibility of Health & Safety risks, Information Security risks, Business Resilience risks and Projects and Programmes risks including the Northern Estate Programme and the Restoration and Renewal Programme.

During the year, following the changes in the House's governance structure the mechanism for managing and reporting risk changed. The Executive Committee retained overall responsibility for the risk management system and for providing assurance to the Commission on how the organisation is managing its risks. Day to day responsibility for managing risk, however, was delegated to the Board in April 2016 with individual Board members acting as 'board risk owner' for each strategic risk based broadly on their functional area of responsibility; oversight of those risks remained with the Executive Committee.

The Board reviewed its strategic risks during autumn 2016 and identified ten new Principal¹³ risks, linked to the new corporate business strategy. These Principal risks were endorsed by the Executive Committee and the Commission in January 2017, as part of the draft Corporate Business Plan for 2017–18, and gave both bodies oversight of risk in the following areas: security, loss of reputation, relationship with Member bodies, differing interests between the two Houses, information management, people capability and capacity, financial management, digital, lack of customer focus and Restoration and Renewal.

Risk monitoring and reporting is a regular feature of the performance management process and emerging, changing or increasing risks are highlighted for the Board's attention on a monthly basis and to the Executive Committee on a quarterly basis at its quarterly assurance meeting. From January 2017, the Board have continued to review: the Principal risks, any critical business risks and also those team/section risks which have been 'residually red' for more than six months. At team and section level, mechanisms are in place to identify and report risks to team management boards and an escalation process exists to bring increasingly significant risks to the attention of the Board and Executive Committee.

¹³ Principal risks are those risks that are either immediate impact risks to the organisation's ability to continue operating e.g. loss of customer data, or slow-burning risks that grow and eventually prevent delivery of objectives e.g. staff turnover or leadership capability. Management of Risk in Government – January 17 Pg 7

Review of effectiveness

The evidence base

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of Internal Controls. In order to undertake this review, I have obtained evidence of the organisation's effectiveness through a variety of means. The most important are: the annual letters of assurance from each Head of Team and the Parliamentary Digital Service; separate letters of assurance on security, on information security (from the Information Authority), on business resilience (from the Chair of the Business Resilience Group), and on health and safety (from the Parliamentary Safety Assurance Group); the Director of Internal Audit's annual report and opinion; advice and reports from the Administration Estimate Audit and Risk Assurance Committee; and reports from the external auditor, the NAO. The letters from Heads of Team were subject to internal challenge and review by the Governance Office and the Corporate Services team. In addition, account has been taken of the monthly corporate performance and risk reports and the information gathered from detailed feedback interviews with both MPs and their staff.

The Director of Internal Audit concluded in his annual report and opinion that the governance, risk management and control arrangements in place were generally adequate for the purposes of the House. He also concluded that there were significant weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective. However, he also noted that a number of significant steps forward have occurred during the year, in such areas as risk, project and contract management, that should reap the benefits in future years if the momentum is maintained. The annual internal audit report concludes that the Director of Internal Audit can only provide limited assurance on the adequacy and effectiveness of the governance, risk and control arrangements. The control weaknesses that have led to this conclusion are explained in the findings on effectiveness below.

Findings on effectiveness

In this section I review the evidence about the organisation's effectiveness. This section provides detail on efforts to address outstanding and emerging issues. As has been described, the recent years have seen a great deal of change to the organisation and governance of the House. I am pleased that progress has been made in a number of areas, but there is still work to be done whilst the further bedding down of governance arrangements continues.

Risk management

During the year, risk management has been highlighted as an area of weakness across the House. In response to issues raised by Internal Audit I have taken steps to strengthen risk management across the organisation. These include: overseeing the development of a new organisational strategy for risk management, as described above; incorporating the review of principal risks into the business of both the Commission and the Executive Committee on a quarterly basis; and strengthening the reporting of risk management to the Board to ensure appropriate actions are taken in a timely and effective manner. In addition I have provided support to the Administration Estimate Audit and Risk Assurance Committee, which has taken on a greater role in providing assurance to the Commission that risk is being managed effectively by the organisation. I am confident that these steps will address the weaknesses that have been highlighted, but this is an area that will remain under close review.

Compliance

Following work by the Internal Audit Team in 2015, the organisation has sought to address staff understanding of compliance issues across the House Service. This has been taken forward as part of the Stepping Up programme, with the aim of achieving significant improvements in a variety of ways. For example, 'The Essentials', a set of mandatory actions that all staff are required to complete, have been established, and are now embedded into annual reporting processes. In addition a register of staff interests, for those at Band A and above, was recommended by the Audit Committee. Since the register opened in January 2017, we have achieved a completion rate of 100% from staff.

Financial management

There has been a significant underspend this year across the House, which points to the contingency being too high, some team budgets still being too high, and is contributed to by delays to the delivery of programmes and projects. Within the Parliamentary Digital Service, for example, there have been issues concerning financial planning and in-year forecasting, as that team builds up to higher levels of expenditure and workload than in previous years. In that team, action has been taken to improve the process of reviewing expenditure and to reallocate budgets where underspends occur, and more generally, some aspects of the overall underspend have been dealt with during the 2017–18 budget planning process. However, we still have some distance to travel to improve our financial planning and budgeting. We are aided on this path by the regular financial challenge meetings which will help to keep driving this forward. In addition training has been delivered to budget holders and work is underway to analyse our costs against objectives and activities.

During the year, the financial planning round went smoothly. However further work is necessary to simplify the investment planning process next year and to achieve further alignment with the House of Lords. Longer term, following on from the previous work of the Efficiencies Programme, Teams have been asked to model efficiencies in their areas and to identify and contribute to cross-cutting opportunities. I expect this work to achieve the better utilisation of resources across the organisation by 2019-20.

Procurement and contract management

The unified Parliamentary Procurement and Commercial Service (PPCS) has supported the procurement activities of both Houses since 2014. Since then it has achieved much in developing good practice procurement support services within Parliament. I am conscious of our requirement to improve procurement to achieve better value for money and to provide the capacity and capability to handle the growth in significant capital programmes. As a result, a high level benchmarking exercise has been undertaken, which has highlighted opportunities improvement in this area.

I am aware that there are weaknesses in relation to our contract management function, and the Director General has made improvements a priority. This has resulted in action being taken within the Corporate Services Team to improve the standard of contract management and ensuring that contract managers understand their role. In addition, the In-House Services Team have set in motion extensive work to improve contract management, which will help to ensure suppliers adhere to our frameworks and policies, and we extract further value from contracts. I expect to see demonstrably improved contract management by the time of my next governance statement.

Recruitment and people management

One of the principal risks to the House Service is if it does not have sufficient capacity or capability to deliver its strategic goals. I am aware that a high level of vacancies in the Corporate Services Team has hindered both the completion of some of their business plan objectives and progress in some areas of their improvement plan. The Digital Service have also had difficulties in recruiting staff throughout the year, as they build up to a higher level of workload than in previous years, although they are staffed to the agreed level from the start of 2017/18. There are a number of management actions in place to mitigate this risk, particularly by increasing and improving the human resource data that is provided to the Commission and the Executive Committee, and through work on retention of staff, which has been informed by our customer journey mapping work. Through this, and the work being undertaken by the People Programme (see page 27) I am assured that we have the appropriate measures in place to mitigate this risk.

The work of the People Programme will also feed in to our people management, by building up the skills of our managers and the capabilities of those in leadership positions, and by ensuring we provide fulfilling and varied career paths and development opportunities for people. During the year, the announcement of a General Election in 2017 came as a surprise to the organisation, as it did to the country. This is a time when staff across the House from all departments demonstrate how they work as a unified service. In this instance, we benefited from the successful experience of the 2015 General Election and we repeated a range of initiatives, under the direction of the General Election Planning Group to ensure the House Service was as prepared as possible for the arrival of new MPs. This, as in 2015, included a New MPs' Reception Area and a "buddy" system for new MPs.

Security

At 2.40pm on 22 March 2017, Parliament was attacked by a lone assailant, Khalid Masood. After driving a vehicle into pedestrians on Westminster Bridge, killing five members of the public, Masood ran into New Palace Yard where he fatally stabbed an unarmed police officer, PC Keith Palmer. Masood was then shot by an armed officer and died at the scene. The attack lasted 82 seconds. On the day, as planned in such incidents, operational control transferred immediately to the Metropolitan Police command. All parliamentary buildings were locked down. Our immediate response to the attacks included the temporary closure of Carriage Gates, additional armed policing and the holding of security briefings for MPs and staff. The House resumed its business undeterred the following day, and The Speakers of the two Houses commissioned an external independent review of how the perimeter of the Parliamentary Estate is secured and protected. In addition, the Clerk of the Parliaments and I commissioned an external review to identify the lessons learned from the operation of Parliament's Incident Management Framework over the period of 22-27 March. We await the findings of these reviews, and will adjust our approach as necessary.

A further major development in our security approach was in response to the tragic death of Jo Cox MP in June 2016. Project Secure Away From the Estate (SAFE) was launched in September 2016, streamlining the process of obtaining physical security measures in MPs' offices and homes.

Following the Jenkins review of security governance in Parliament, which reported in September 2014, responsibility for the day-to-day delivery of physical and personnel operational security transferred to the Parliamentary Security Department. A new Special Services Agreement with the Metropolitan Police Service commenced on 1 April 2016 and the MPS civilian workforce transferred to become PSD staff on the same date. Experience has reinforced the view that this was the right decision, while considerable efforts continue to improve the efficiency and effectiveness of physical and personnel security management. Whilst a number of substantial security risks cannot be eliminated, I am confident that we are taking measures to deal with those risks and that overall improvements have been made to the security of the parliamentary estate.

On Friday 23 June 2017, the Digital Service discovered unusual activity and evidence of an attempted cyber-attack on our computer network. Closer investigation confirmed that hackers were carrying out a sustained and determined attack on all parliamentary user accounts in attempt to identify weak passwords and gain access to users emails. That day access to the parliamentary network was suspended and staff of the Digital Service worked all weekend to protect the parliamentary network. Additionally security measures were put in place, such as multi-factor authentication which had been scheduled to be rolled-out over a period of six months rather than a week. This security of the network was achieved and both Houses met as planned on Monday 26 June. It is believed that significantly fewer than 1% of the 9,000 accounts on the parliamentary network have been compromised as a result of weak passwords. This successful defence from a cyber-attack has been enabled by the actions taken in the past few years within the Cyber Security Programme. These steps have increased our resilience, and the programme plan is moving at pace. I am confident the programme will be fully delivered during 2017-18, and this experience has shown that we are well prepared to manage this risk.

Information Security

In January 2017, the Information Authority was established following a review of groups with overlapping remits in this area. It provides a simpler, bi-cameral structure for information governance which aligns with current public sector best practice and enhances joint working across Parliament. Earlier in the year, an independent Information Management Assessment of Parliament was carried out by The National Archives, which benchmarked Parliament against best practice for Information Management in the public sector. The assessment also highlighted areas where improvements could be made, and a number of high priority recommendations have been completed, with others in progress. Information Security has also been reviewed by our Internal Audit team. Following a favourable audit in January 2016, a Phase Two Information Security Audit was carried out last summer, which provided a 'moderate' level of assurance that information security risks are being addressed effectively. The management actions identified have been implemented, namely, a suite of information security policies located in a single place on the intranet for staff and mandatory cyber security training for all Parliamentary staff. I expect the actions taken in this area will further strengthen our information security against more complex and sophisticated threats.

Business resilience

Over the course of the year, business resilience across the House has been maintained and developed. In June 2016 Parliament's business resilience framework was successfully reaccredited to the ISO 22301:2012 standard. In addition, the new Business Resilience Strategy and Policy was agreed by both Houses, and implemented from January 2016. Work has continued throughout the year to continue strengthening utility resilience. There have been no incidences of electricity supply failure which have led to the engagement of the IMT. The IMT were engaged in response to one incident of failure of water supply affecting Portcullis House and one flooding incident, from which lessons have been identified and informed a revision of the Incident Management Framework (IMF). The IMT was also stood up in response to the 22 March attack, and an external review of the IMF in relation to this incident is ongoing (see above).

Work to deliver the Relocation Contingencies Programme has continued, with the plans to mitigate in-house for the loss of one Chamber regularly tested. Some progress on the plans for an off-estate relocation has been made over the year, with the aim that these be tested during the coming year. I anticipate that the conclusion of the programme, and its transition to business as usual, will further enhance our business resilience. This will augment the strengthening of our ICT resilience, with the roll-out of Office 365 and the planned adoption of Skype for Business having significantly increased the ability of staff to work remotely.

Estates Programmes and Projects

I expected that during the year the two Houses would make a decision in principle on a way forward for the Restoration and Renewal (R&R) programme based on the options appraisal of 2015 and the report from the Joint Committee on the Palace of Westminster. However, no decision has yet been made. Given that the R&R programme has a considerable interface with the planning and design of the Northern Estates Programme, the uncertainty created by the delayed decision in principle is also impacting on this major estates project. Whilst we seek progress on these programmes, I have arranged for the risks to be assessed and mitigation plans to be developed, as a measure to cope with the delay.

Throughout the year we have continued to evaluate our property portfolio, to ensure that we are able to meet the needs of MPs and staff, both in the short and medium term. On 30 January I signed a Memorandum of Terms of Occupation enabling Parliament to occupy Richmond House, in order to provide decant accommodation for MPs during the Northern Estate Programme and beyond, and the Department of Health took over the lease on 39 Victoria Street.

Since October 2016, a comprehensive plan has been in place to improve performance in the delivery of projects and programmes. This was initially in response to issues raised in relation to specific projects and the measures were subsequently extended to ongoing projects. While there are a number of projects now running which began before the implementation of the measures, I expect that due to the implementation of the plan the delivery of estates projects will improve with time. This is an area of oversight where the two Houses work together, via the Joint Investment Board (see page 17) chaired by the Director General, to decide on the priorities for funding and to be assured on and address concerns regarding projects and programmes.

Environmental Standards

I am conscious of my statutory responsibilities for compliance with environmental regulations. Progress against our environmental compliance action plan has been made in the year, and we are compliant with all statutory requirements for environmental performance.

Health and Safety

I am assured that in relation to both food safety and to lower risk and office based activities we have satisfactory safety management practices. However, some improvements are needed to enhance the adequacy and effectiveness of safety management. For example, in one Team there have been two incidents which highlighted non-compliance in keeping documentation and audit trails. To address this, a Head of Business Compliance has been appointed to work with the Parliamentary Safety Team to design more comprehensive safety checks, to implement a new Health and Safety Framework and to improve record keeping procedures. Actions such as these will help to provide greater assurance.

With regard to higher risks activities, chiefly those related to construction, safety management has been found to be variable. The volume of construction activities taking place in close proximity to other users of the estate has increased, which increases the risk of accidents. It is essential that risk owners work to mitigate these risks, and that our arrangements keep pace with the scope and complexity of the current works.

The Fire Safety Manager's opinion is that the level of assurance for fire safety in 2016–17 remains at 'Moderate'. This is due to a deterioration in the level of confidence that the fire alarm in the Palace is effective whilst the system is being upgraded and extended. Interim mitigations have been introduced to deal with this situation and to provide contingencies to allow the continued safe occupation of the Palace. This contrasts with the report of our Internal Audit Team into Fire Safety Management, which gave a 'Limited' assurance. Due to the diverse and aged estate portfolio, coupled with a transient population of building users, fire safety is a key risk. We have committed to a significant ongoing investment programme to help address physical fire safety control issues, and reduce our exposure to this risk. It is intended that the fire safety improvement works being implemented as part of Parliament's Fire Safety Strategy will enable us to achieve life safety mitigations by the end of 2018.

Joint working

At the end of 2015, the Bicameral Review of Joint Working recommended that there should be further investigation of the potential for improvements in efficiency and reduced bureaucracy, and in opportunities for staff through further joint working between the two Houses. The business cases for the Official Reports, Internal Audit functions and In-House cleaning indicated that the benefits from becoming shared services were unproven and have therefore not resulted in formal joining. They have, however, led to some closer working. The business cases for joint working in Catering, Learning and Development and Diversity and Inclusion are currently under consideration.

David Natzler

Accounting Officer

11 July 2017

2. Remuneration and Staff Report

This section of the report sets out the financial information and commentary about the Management Board and staff pay for the year ended 31 March 2017.

a. Remuneration policy

The House of Commons Commission has delegated to the Clerk of the House responsibility for ensuring that staff complement, grading, pay and conditions of service of staff in Teams are broadly in line with those of the Home Civil Service. The House operates three separate pay structures for three sections of the organisation; Senior Commons Structure (SCS, in line with Senior Civil Service grades); Catering Staff; and the remaining staff of the House (A-E grades). The House of Commons is a committed London Living Wage employer.

Those in the Senior Commons Structure (SCS) received consolidated increases ranging from zero to 2%. Awards of up to 2% were paid only to outstanding performers whose salary was below comparators in the Civil Service. The average consolidated increase for those in SCS was 1.26%. In addition SCS staff can also benefit from a system of additional performance awards, that are one-off payments and not consolidated as part of an individual's future salary entitlement, if the House-wide panel considers they meet the criteria. The amounts of individual awards in 2016–17 ranged from £2,500 to £6,500.

Staff in catering bands received a consolidated basic pay award between 1% and 1.43% (average increase 1.19%) in September 2016. Management completed a review of catering pay in 2016–17 after agreeing the terms of reference with the recognised trade unions. The review included consideration of how contribution pay might apply within catering pay bands in the future. Contribution pay will determine levels of non-consolidated payments based on an assessment of performance and competency. The review was completed in August 2016.

The final part of the 2013-2016 A-E band pay and reward agreement came into effect during 2016–17, which was the increase in working hours from 35 hours a week to 36 hours a week. In support of this, the House also adopted a flexitime policy. A new single year pay award was also agreed in the year which saw staff that are paid below the target rate for their pay band and whose performance was recorded as 'fully effective' or 'fully effective and outstanding' in their annual IPR assessment receiving a reward which equated to a one-step progression. Staff already at the target rate, or in the higher contribution zone received consolidated and non-consolidated awards that amounted to a 1% increase. The average consolidated increase for staff in pay band A-E was 1.79%.

Remuneration (salary, benefits in kind and pensions)

Commission non-executive directors

The Commission is supported by two non-executive directors who receive remuneration for their services as follows:

Non-executive directors	Salary (£'000)	
	2016-17	2015-16
J Gaymer DBE	25-30	5-10 (25-30 FYE)
J McCall	15-20	-
B Scott	-	5-10 (20-25 FYE)

Figures in table audited by the National Audit Office

The non-executive directors do not receive any bonus payments, benefits-in-kind or pension benefits.

Executive Committee

The salary and benefits in kind of members of the Executive Committee were:

Officials	Salary (a)		Bonus Payments		Benefits in kind (b)		Pension benefits ¹⁴		Total	
	(£'000)		(£'000)		(£'000) (nearest £100)		(£'000)		(£'000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
D Natzler	175-180	175-180	-	-	15.6	16.4	37	455	230-235	650-655
I Ailles <i>(from 27 October 2015)</i>	160-165	65-70 <i>(155-160 FYE)</i>	0-5	-	-	-	-	-	165-170	65-70
M Barrett (a)	120-125	105-110	-	5-10	-	-	23	42	140-145	155-160

Figures in table audited by the National Audit Office

(a) Salary includes gross salary and allowances.

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

¹⁴ The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum, less the contributions made by the individual. The real increases exclude adjustments due to inflation or the transfer of pension rights. In certain circumstances this can result in a decrease in the real pension value during the financial year. In addition, where a scheme member has exceeded retirement age but remains within the scheme this can further decrease the real pension value.

The Board

The salary and benefits of members of The Board were:

Officials	Salary (a) (£'000)		Bonus Payments (£'000)		Pension benefits ¹⁵ (£'000)		Total (£'000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
C. Bamford <i>(from 12 September 2016)</i>	55-60 <i>(100-105 FYE)</i>	-	-	-	10	-	65-70	-
J Bengier	125-130	115-120	-	-	83	195	205-210	310-315
J Borley CB (d) <i>(until 31 October 2016)</i>	165-170 <i>(125-130 FYE)</i>	125-130	-	-	29	48	195-200	170-175
L Bridges <i>(from 25 April 2016)</i>	65-70 <i>(70-75 FYE)</i>	-	-	-	27	-	95-100	-
M Cwynarski <i>(from 10 Oct 2016)</i>	35-40 <i>(80-85 FYE)</i>	-	-	-	21	-	60-65	-
B Finnimore <i>(from 10 June 2016)</i>	85-90 <i>(105-110 FYE)</i>	-	-	-	34	-	120-125	-
T Goldsmith <i>(from 25 April 16 to 9 October 2016)</i>	30-35 <i>(70-75 FYE)</i>	-	-	-	14	-	45-50	-
R Greig (b)	115-120	115-120	5-10	-	47	46	170-175	165-170
E Hepburn <i>(from 1 September 2016)</i>	60-65 <i>(100-105 FYE)</i>	-	-	-	13	-	70-75	-
M Hutton <i>(from 25 April 2016 to 24 June 2016)</i>	15-20 <i>(95-100 FYE)</i>	-	-	-	4	-	15-20	-
P Martin <i>(from 25 April 2016 to 9 September 2016)</i>	35-40 <i>(100-105 FYE)</i>	-	-	-	10	-	45-50	-
P Richards <i>(from 25 April 2016)</i>	65-70 <i>(65-70 FYE)</i>	-	-	-	25	-	90-95	-
J Sharpe (c) <i>(until 30 June 2015)</i>	-	30-35 <i>(120-125 FYE)</i>	-	-	-	21	-	50-55
A Toft <i>(from 25 June 2016)</i>	45-50 <i>(60-65 FYE)</i>	-	-	-	18	-	65-70	-
A Walker (d) <i>(until 31 October 2016)</i>	165-170 <i>(125-130 FYE)</i>	125-130	-	-	18	45	185-190	170-175
E Watchorn <i>(from 1 October 2016)</i>	30-35 <i>(65-70 FYE)</i>	-	-	-	23	-	55-60	-
P Young <i>(from 26 May 2015)</i>	120-125	100-105 <i>(115-120 FYE)</i>	-	-	47	40	165-170	140-145

Figures in table audited by the National Audit Office

¹⁵ The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum, less the contributions made by the individual. The real increases exclude adjustments due to inflation or the transfer of pension rights. In certain circumstances this can result in a decrease in the real pension value during the financial year. In addition, where a scheme member has exceeded retirement age but remains within the scheme this can further decrease the real pension value.

Notes:

- (a) Salary includes gross salary and allowances.
- (b) The salary and pension benefits for the Director of Parliamentary Digital Service, R Greig, are paid directly by the House of Commons; 30% of the costs are recharged to the House of Lords. The salary and pension benefits disclosed represent the total remuneration package paid between the two Houses.
- (c) Standing invitations to attend Executive Committee meetings whilst acting as Head of Departments.
- (d) Compensation for loss of office: J Borley and A Walker received compensation payments of £90,000-£95,000 when they left the House of Commons on 30 September 2016 following an organisational restructure. These payments were agreed in the 2015-16 reporting year.

Pension benefits (audited)

The pension entitlements of the members of the Executive Committee, covering the period during which they were on the Board, were as follows (for 2015-16 figures, see House of Commons Annual Accounts, HC 480):

	Accrued pension and related lump sum at 31/3/17 (£000)	Real increase in pension and related lump sum at 31/3/17 (£000)	CETV at 31/3/17 (£000)	CETV at 31/3/16 ¹⁶ (£000)	Real increase in CETV (£000)
D Natzler	90-95 plus lump sum of 275-280	0-2.5 plus lump sum of 5-7.5	1,976	1,948	33
I Ailles <i>(from 27 October 2015)</i>	n/a	n/a	n/a	n/a	n/a
M Barrett (a)	10-15	0-2.5	162	143	10

Figures in table audited by the National Audit Office

¹⁶ The figures may be different from the closing figures in the 2015-16 Annual Accounts due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

The pension entitlements of the members of The Board were as follows:

	Accrued pension and related lump sum at 31/3/17 (£000)	Real increase in pension and related lump sum at 31/3/17 (£000)	CETV at 31/3/17 (£000)	CETV at 31/3/16 ¹⁷ (£000)	Real increase in CETV (£000)
C Bamford <i>(from 12 September 2016)</i>	n/a	n/a	n/a	n/a	n/a
J Bengler	45-50 plus lump sum of 140-145	2.5-5 plus lump sum of 10-12.5	1050	929	78
J Borley CB <i>(until 31 October 2016)</i>	25-30	0-2.5	431	391	22
L Bridges <i>(from 25 April 2016)</i>	10-15	0-2.5	110	91	11
M Cwynarski <i>(from 10 Oct 2016)</i>	15-20 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	256	240	12
B Finimore <i>(from 10 June 2016)</i>	15-20	0-2.5	292	262	24
T Goldsmith <i>(from 25 April 16 to 9 October 2016)</i>	15-20 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	268	260	5
R Greig	5-10	2.5-5	49	25	15
E Hepburn <i>(from 1 September 2016)</i>	40-45 plus lump sum of 15-20	0-2.5	801	754	11
M Hutton <i>(from 25 April 2016 to 24 June 2016)</i>	35-40 plus lump sum of 115-120	0-2.5 plus lump sum of 0-2.5	837	831	3
P Martin <i>(from 25 April 2016 to 9 September 2016)</i>	55-60	0-2.5	1,076	1,032	10
P Richards <i>(from 25 April 2016)</i>	5-10	0-2.5	99	79	13
A Toft <i>(from 25 June 2016)</i>	10-15	0-2.5	214	195	9
A Walker <i>(until 31 October 2016)</i>	60-65 plus lump sum of 190-195	0-2.5 plus lump sum of 2.5-5	1,431	1,400	17
E Watchorn <i>(from 1 October 2016)</i>	10-15	0-2.5	138	120	11
P Young <i>(from 26 May 2015)</i>	5-10	2.5-5	66	29	27

Figures in table audited by the National Audit Office

¹⁷ The figures may be different from the closing figures in the 2015-16 Annual Accounts due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Fair Pay Disclosure

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

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

	2016-17	2015-16
Highest earner's total remuneration (£000)	195-200	190-195
Median of total remuneration (£)	31,050	33,760
Ratio	6.36	5.70

Figures in table audited by the National Audit Office

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

In 2016–17, no employee received remuneration in excess of the highest paid member of the Management Board or Executive Committee (2015–16: 0). Remuneration ranged from £3,000 to £200,000 (2015–16: £4,000–£195,000).

The year-on-year change in the ratio between the median and the highest paid member of the Management Board is a consequence of an increase in the total number of full-time equivalent employees in the year arising from the transfer of security officers into the House of Commons.

b. Staff Report

Staff costs and related numbers

The House of Commons staff costs comprise:

	2016-17 Charged to revenue budgets	2016-17 Charged to capital budgets	2016-17 Total	2015-16 Charged to revenue budgets	2015-16 Charged to capital budgets	2015-16 Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	76,674	548	77,222	61,172	606	61,778
Social security costs	7,863	60	7,923	5,135	61	5,196
Other pension costs	14,768	107	14,875	12,529	119	12,648
Contributions to stakeholder pensions	216	-	216	142	-	142
Sub Total	99,521	715	100,236	78,978	786	79,764
Inward secondments/agency staff	6,570	1,306	7,876	4,771	-	4,771
Sub Total	106,091	2,021	108,112	83,749	786	84,535
Less recoveries in respect of outward secondments	(733)	-	(733)	(773)	-	(773)
Total net costs	105,358	2,021	107,379	82,976	786	83,762

Figures in table audited by the National Audit Office

The increase in staff costs when compared to the prior year can be explained by the transfer of Security Officers. These costs were historically spent against operational budgets, as a cost of the Metropolitan Police Contract, but are now part of the House's staff costs and headcount.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others Pension Scheme (CSOPS), known as "alpha", are unfunded multi-employer defined benefit schemes in which the House of Commons is unable to identify its share of the underlying assets and liabilities. The full actuarial valuation was carried out as at 31 March 2014. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.gov.uk/government/publications).

For 2016–17, employer contributions of £14,875,000 (2015–16: £12,648,000) were payable to the civil service pension schemes at one of four rates in the range 20.0 to 24.5 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016–17 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £216,360 (2015–16: £142,270) were paid to one or more of a panel of three appointed stakeholder pension providers. As at 31 March 2016, £4,600 was outstanding (2015–16: nil). Employer contributions are age-related and range from 8% to 14.75% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

Average number of persons employed

The average number of full-time equivalent (FTE) persons employed during the year including those staff involved in delivering shared services funded by the House of Lords, were:

	2016-17	2015-16
Average number (permanent staff)	2,321	1,885
Average number (agency staff)	46	39

Staff composition

The following table analyses the number of persons of each gender.

At 31 March 2017	Male	Female
Exco	2	1
Board	6	5
SCS	47	27
Employees	1,407	1,110

At 31 March 2016	Male	Female
Exco	6	2
SCS	53	22
Employees	1,104	966

Sickness absence data

The recorded sickness absence figure for 2016–17 stands at 6.1 average working days not worked per person. (2015–16: 5.2 average working days).

Staff policies applied during the financial year

Candidates are asked at application stage if they require any adjustments at any stage of the recruitment process, for example additional time to undertake written tests. We do not specifically ask if candidates have a disability, only if they need an adjustment. Campaign Managers within the House Recruitment team are responsible for ensuring that requests for adjustments from candidates are managed effectively. In some cases this may require liaison with the Diversity & Inclusion team. In addition, the House runs a 'Recruiting for Excellence' one day training course which is mandatory for managers to attend prior to recruiting new staff – this course includes a session on diversity. The House also introduced a set of training requirements called 'the essentials', which all staff had to complete in the reporting year. These included financial training (for budget managers), diversity and inclusion training and fire safety training.

Expenditure on consultancy

During the 2016–17 £1,616,000 was incurred on consultancy costs. (restated 2015–16: £1,406,000)

Tax arrangements of Public Appointees

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

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

Table A: For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that lasted for longer than six months

	Number
Existing engagements as of 31 March 2017	121
Of which at the time or reporting have existed for:	
less than one year	67
between one and two years	50
between two and three years	1
between three and four years	1
for four years or more	2

All of the 121 contractors have been subject to a risk based assessment during 2016–17, to consider whether assurance is required that the individual is meeting their PAYE obligations and, where necessary, that assurance has been sought.

Table B: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months.

	Number
New engagements, or those that reached six months in duration between 1 April 2016 and 31 March 2017	81
Of the above which included contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	81
For whom assurance has been requested	21
Of which:	
assurance has been received	14
assurance has not been received	7
Have been terminated as a result of assurance not being received.	3

Of the 81 engagements that reached six months during the year, 39 are Select Committee Advisers who due to the ad hoc nature of their work are considered low risk. The majority of the Select Committee Advisers (37) were paid less than £3,000 each in the year.

Of the four contractors whose contracts were not terminated as a result of not providing satisfactory assurance; two had satisfactory IR35 reviews instead, and the remaining two contracts reached their normal expiry date during the assurance process.

Table C: For any off-payroll engagements of Board Members, and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017

	Number
Off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year.	-
Individuals that have been deemed 'board members, and/or senior officials with significant responsibility', during the financial year both off-payroll and on-payroll.	14

The 14 Board members and senior officials are all members of either the Executive Committee or the Board. There were no senior officials with budgetary responsibility in excess of £10 million who were not Board members.

Exit packages

Exit package cost	Number of redundancies		Number of other departures agreed	
	2016-17	2015-16	2016-17	2015-16
<£10,000	-	-	2	2
£10,000 - £25,000	-	-	18	17
£25,000 - £50,000	-	-	11	9
£50,000 - £100,000	-	-	12	6
Total number of exit packages by type	-	-	43	34
Total Resource cost (£)	-	-	1,620,505	1,101,371

Figures in table audited by the National Audit Office

Departure costs during 2016–17 have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year that the departure is agreed. The House ran a voluntary exit scheme in 2016–17.

Within the figures above there are 11 cases (£474,000) which are also included in note 4 (Parliamentary Accountability Disclosures).

Ill-health retirement costs are covered by the pension scheme and are not included in the table.

David Natzler

Accounting Officer

11 July 2017

3. Parliamentary Accountability and Audit Report

a. Statement of Parliamentary Supply

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

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

Summary of Resource and Capital Outturn 2016-17

	Estimate			Outturn			2016-17 Voted outturn compared with Estimate: saving/ (excess) ¹⁸ £000	2015-16 Outturn Total £000
	Note	Voted £000	Non-Voted £000	Total £000	Voted £000	Non- Voted £000		
Departmental Expenditure Limit equivalent¹⁹								
Resource	SoPs 1.1	226,800	100	226,900	211,028	-	210,308	
Pension transfer		-	-	-	-	-	-	
Capital	SoPs 1.2	69,500	100	69,600	46,891	-	38,939	
Total		296,300	200	296,500	257,919	-	249,247	

¹⁸ Explanations of variances between the Estimate and Outturn are provided in the Statement of Parliamentary Supply Commentary.

¹⁹ DEL equivalent represents Departmental Equivalent Limit equivalent as defined in the Main Estimate (HC935) and Supplementary Estimate (HC1001).

Net cash requirement 2016-17

Note	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess) ¹⁰	Outturn
	£000	£000	£000	£000
SoPS 3	280,100	231,903	48,197	202,251

Administration Costs 2016-17

Note	2016-17 Estimate	2016-17 Outturn	2015-16 Outturn
	£000	£000	£000
SoPS 3	226,900	211,028	210,308

Notes to the Statement of Parliamentary Supply (SoPS)

SoPS 1. Net outturn

SoPS 1.1. Analysis of net resource outturn

	Estimate			Outturn			2016-17 Variance net Outturn to Estimate	2015-16 Outturn
	Gross	Income	Net	Gross	Income	Net		
	£000	£000	£000	£000	£000	£000	£000	
Spending in DEL equivalent	243,700	(16,900)	226,800	227,760	(16,732)	211,028	15,772	209,653
Non-voted	100	-	100	-	-	-	100	655

SoPS 1.2. Analysis of net capital outturn

	Estimate			Outturn			2016-17 Variance net Outturn to Estimate	2015-16 Outturn
	Gross	Income	Net	Gross	Income	Net		
	£000	£000	£000	£000	£000	£000		
Spending in DEL equivalent	69,500	-	69,500	46,891	-	46,891	22,609	38,592
Non-voted	100	-	100	-	-	-	100	347

SoPS 2. Reconciliation of net resource outturn to net operating cost

	Note	2016-17	2015-16
		£000	£000
		Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply Voted	SoPS 1.1	211,028	209,653
Non-Voted		-	655
Donations classified as capital income		(15)	(25)
<i>Net Operating Cost in Statement of Comprehensive Net Expenditure after pension transfer</i>		<i>211,013</i>	<i>210,283</i>
Pension Transfer		-	-
<i>Net Operating Cost in Statement of Comprehensive Net Expenditure before pension transfer</i>		<i>211,013</i>	<i>210,283</i>

SoPS 3. Reconciliation of net resource outturn to net cash requirement

		Estimate	Outturn	Net total outturn compared with estimate: saving/ (excess)
	Note	£000	£000	£000
Resource Outturn	SoPS 1.1	226,900	211,028	15,872
Capital Outturn	SoPS 1.2	69,600	46,891	22,709
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Non-cash items – other administration costs	3	(23,700)	(21,211)	(2,489)
Non-cash items – other capital costs				
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in inventories	10	-	(51)	51
Increase/(decrease) in receivables	12	10,900	(9,478)	20,378
(Increase)/decrease in payables	13		4,291	(4,291)
Use of provision	14	(3,400)	433	(3,833)
Removal of non-voted budget items	SoPS 1.1, SoPS 1.2	(200)	-	(200)
Net Cash Requirement		280,100	231,903	48,197

b. Statement of Parliamentary Supply Commentary

Scope of the Estimate

These accounts cover expenditure arising from general administration including staff costs, accommodation, stationery, printing, security, broadcasting, IT, catering, general expenses and associated non-cash costs; some travel costs of Members of Parliament in connection with select committees and delegations to international parliamentary assemblies; costs incurred on international parliamentary activities, and grants and grants-in-aid to organisations who promote the House of Commons' objectives including the History of Parliament Trust, certain parliamentary bodies and to the Association of Former Members of Parliament. Income arising from catering receipts, rental income, sales of goods and services, fees received and receipts in connection with parliamentary activities.

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

Resources

The 2016–17 budget was the first set against the 2016–21 strategy, with a key focus on delivering the House Services three objectives, whilst seeking to improve our services to customers, enhance the House's reputation, ensure that we deliver value for money and use our resources effectively, and that we have a positive impact in the work of Members.

The House of Commons Commission agreed to a resource budget of £224.7 million (£224.6 million voted and £0.1 million non-voted) (HC 935) in May 2016. This was revised by £2.2 million via supplementary estimate (HC 1001) in February 2017 to help manage demands to support changes to the Parliamentary Estate.

At the beginning of the year, the House of Commons transferred the Security Officers from the Metropolitan Police Service after a review of their contract, with nearly 300 staff becoming House employees from 1 April 2016. The costs of the Security Officers are shared with the House of Lords in line with other security costs, but the staff are House of Commons employees. The House had to adapt many practices to support this movement of staff to ensure that the service continued uninterrupted and that transferred staff felt welcomed in their new employment. These staff now sit under the recently formed Parliamentary Security Department.

The House and the Metropolitan Police Service continue to work closely together to support this arrangement and ensure that costs that have transferred between the organisation are well managed. Whilst this had a cost neutral impact on the budget, the type of spend has changed, with staff costs increasing, but service costs decreasing.

There were other organisational structure changes to the House; the Service implemented the findings of the Director General's review, and the Digital Service expanded in order to meet the demands of the House and for the House to utilise digital advances in order to become more efficient in the future. This expansion and change has led to an overspend of £0.5 million in staff salaries (£105.4 million) and £0.2 million in other staff costs (£3.3 million), as have unexpected costs that have arisen from the Security Officers' transfer.

Management of the Parliamentary Estate and preserving its heritage is a key objective of the House. Property costs continue to be hard to forecast due to the deteriorating condition of the Palace and associated buildings, with the House keen to take advantage of opportunities that arise in-year to support the Restoration and Renewal Programme and the Northern Estates Programme and to mitigate against the risk of building failure, which continued to materialise during the year. In June 2016 the Estate was badly affected by flooding after heavy rainfall, with dilapidated services unable to cope with the volumes of water that fell. Large scale maintenance works were £0.5 million more than originally planned to react to these demands.

There were changes to the Parliamentary Estate in the year, with the House transferring 39 Victoria Street to the Department of Health and agreeing a future transfer of Richmond House, which sits within the Northern Estate secure perimeter. Richmond House is seen as a key acquisition to support the Northern Estates Programme and then has the potential to support the Restoration and Renewal Programme, should the House agree to proceed with the preferred decant option. In transferring 39 Victoria Street to the Department of Health, the House made a special payment to account for the rent free benefit that the House has enjoyed. There was also a write down of the capital investment (£0.7 million) that the House had made in 39 Victoria Street, which was seen as the only viable solution to support the Northern Estates Programme at the time of acquisition.

This transfer also saw the future commitments of the House drop from £168.8 million to £78.8 million in the year (see note 9.1).

With the tender price index increasing 5% in the year (from 276 to 290) and the location factor decreasing by 8.8% (from 1.36 to 1.25) in the year, driven by market conditions after the vote to leave the European Union, coupled with delays to investment projects, this has meant that forecasting building valuations and consequential movements has been difficult. This has led to a lower than expected impairment charge (£2.9 million underspend), but a static depreciation charge.

There was an underspend of £4.6 million in the Digital Service. Whilst the Digital Service expanded its resource capacity in year, with a third of staff bring new this year, they found it difficult to recruit, leading to delays in development costs and planned investments programmes. There were further savings of £0.7 million within the printing service which was brought in house during 2015–16.

The vote to leave the European Union on 23rd June also had an unexpected impact on the House's plans. Activity in the House was lower than anticipated due to campaigning, but the result caused the creation of a new committee (Exiting the EU Committee) in October 2016.

The House was recalled during the European Union campaign to pay tribute to Jo Cox MP, who was tragically murdered on 16 June 2016. The House continues to support Members' security arrangements in partnership with police forces around the country. Security arrangements have again been reviewed after the events of 22 March 2017, when Parliament was attacked and a Metropolitan Police Officer, PC Keith Palmer was killed in the line of duty.

The combination of the above led to an outturn of £211.0 million (no non-voted expenditure) against a final budget of £226.9 million (£226.8 million voted, £0.1 million non-voted), a £15.8 million (or 7.0%) underspend.

Capital

Capital expenditure totalled £46.9 million against a budget of £69.6 million (£69.5 million voted and £0.1 million non voted), and all the expenditure was incurred against the voted estimate. Whilst work against the strategic programmes progressed during 2016–17, the Restoration and Renewal and Northern Estates Programme accumulated a £10.0 million underspend between them as expenditure of £9.4 million was made against a budget of £19.4 million. The remainder of the Estate portfolio underspent by £3.3 million, due to a mix of delays to conservation projects, including the refurbishment works to the Elizabeth Tower and Great Clock and an under-utilisation of the risk budget, which is held in contingency to fund projects that encounter expected and unexpected changes. The Digital Investment Portfolio underspent by £5.2 million as work on infrastructure renewal stalled. Further movements to use cloud technologies has also resulted in reduced capital spend. The above underspends coupled with the unutilised central contingency of £4.2 million led to a total under spend of £22.6 million.

Strategic Programmes

Restoration and Renewal

The Joint Committee on the Palace of Westminster and the Public Accounts Committee both recommended full decant whilst the Palace of Westminster is restored and for the work to be delivered through an arm's-length delivery authority. Spend this year on the Restoration and Renewal was less than the estimate due to delays to the decision in principle meaning that the House could not enter commitments with third party suppliers to undertake key activities. However, plans continue to progress the programme in terms of setting up the structure of a shadow delivery authority and in delivering the outline business case to support the programme. A decision in principle is expected when the House returns after the General Election. The House of Commons' contribution to the Programme in 2016–17 was £2.7 million in capital expenditure and £1.3 million in resource expenditure. The to date contribution from the House of Commons is £9.7 million for capital expenditure and £2.4 million for resource expenditure (total expenditure £12.1 million).

Northern Estates Programme

The Northern Estate Programme involves the refurbishment of four currently occupied listed buildings, Norman Shaw North, 1 Derby Gate, Norman Shaw South and 1 Parliament Street, preceded by the acquisition and refurbishment of Richmond House. The House is acquiring Richmond House, currently home to the Department of Health, with a view that this building be used as Members' and Members' staff accommodation for the duration of works to the Northern Estate. Subject to a decision in principle and further feasibility work, Richmond House would also be used to house a temporary Commons Chamber and offices whilst the restoration and renewal works to the Palace of Westminster take place. An agreement has been made that Richmond House will be transferred to the House in November 2017. The House will initially occupy Richmond House under a memorandum of term until 2019–20, when a permanent transfer of the asset will be sought. Current costs to date incurred on the Northern Estate Programme are £12.5 million (£9.4 million capital, £3.1 million resource), with £9.7 million (£6.7 million capital, £3.0 million resource) spent during 2016–17.

Cash

A net cash requirement of £231.9 million was achieved against a Estimate of £280.1 million. The underspend of £48.2 million was the accumulation of the underspends on the resource and capital estimates. There were also two cash transactions that impacted the flow of resource this year, but balanced each other out. At the beginning of the year, the Cabinet Office returned the over payment made to them with respect to the transfer of the House Pension scheme to the Principal Civil Service Pension scheme that completed in 2014–15 but was not finalised in terms of value until March 2016. The value of this receipt was £9.8 million and is the main factor in the House's receivables dropping to £10.5 million from £21.6 million (see note 12). The House also made a cash payment to the Department of Health for the transfer of 39 Victoria Street. The net value of the transaction was a payment of £9.8 million.

4. Parliamentary Accountability Disclosures

a. Losses and special payments

This section is audited by the National Audit Office

Losses Statement

	2016-17	2015-16
Total number of cases	41	41
Total value of cases (£000)	(34)	20

The total value of losses include £16,000 of actual losses incurred during 2016–17 and £50,000 of unexpected gains relating to prior years.

Details of cases over £300,000

There were no cases over £300,000 in 2016–17 (2015–16: nil)

Special Payments

	2016-17	2015-16
Total number of cases	34	35
Total value of cases (£000)	608	923

There are no special payments which exceed £300,000. (2015–16: nil.)

A special payment (outside the Managing Public Money definition) was made to the Department of Health in relation to the transfer of 39 Victoria Street. The value of this payment was equal to the rent free period that House and accrued for (£10.9m). This was then adjusted downwards to take into account that the House had prepaid the rent for the period that the Department of Health would be in occupation (£1.1m).

b. Fees and Charges

This section is audited by the National Audit Office

The main areas for generating income are catering (including banqueting), and tours (including retail). Fees and charges for all areas are set in accordance with the House of Commons policy which is published at www.parliament.uk/site-information/foi/transparency-publications/hoc-transparency-publications/financial-information/financial-policies/

Income received during 2016–17 was £10.1 million for catering (£9.0 million in 2015–16) and £5.1 million (£4.3 million for 2015–16) for tours and retail. Tours and retail are expected to recover the cost of providing the service, whereas the cost of the catering services was £2.7 million. The cost of catering has halved since 2013–14 (£5.1 million).

c. Remote Contingent Liabilities

This section is audited by the National Audit Office

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

As at 31 March 2017 there were no remote contingent liabilities. (2015–16: £166,000).

David Natzler

Accounting Officer

11 July 2017

5. Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the House of Commons Administration for the year ended 31 March 2017. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and Parliamentary Accountability disclosures that is described as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the House and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. For the House, the voted Parliamentary control totals are a Departmental Expenditure Limit equivalent (Resource and Capital), Non-Budget Expenditure (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2017 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the affairs of the House of Commons Administration as at 31 March 2017 and of its net operating expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Financial Reporting Manual as applied by the House of Commons.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with the Financial Reporting Manual as applied by the House of Commons; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

- I have nothing to report in respect of the following matters which I report to you if, in my opinion:
- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect the House of Commons's application of best practice, including HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse KCB

Comptroller and Auditor General

National Audit Office

157–197 Buckingham Palace Road

Victoria, London,

SW1W 9SP

Date: 14 July 2017

Financial Statements

Statement of Comprehensive Net Expenditure

For the Year ended to 31 March 2017

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

		2016-17	2015-16
	Note	£000	£000
Income from sale of goods & services	5	(16,732)	(16,382)
Other operating income			
Total operating income		(16,732)	(16,382)
Staff costs	3	105,358	82,976
Purchase of goods & services	3	97,571	120,418
Depreciation & Impairment	3	20,721	22,343
Grants	3, 4	3,605	3,524
Other costs/(gain)	3	490	(2,596)
Total operating expenditure		227,745	226,665
Net Operating expenditure for the year		211,013	210,283

Other Comprehensive Net Expenditure

		2016-17	2015-16
		£000	£000
Items which will not be reclassified to net operating costs:			
- revaluation of Property, Plant and Equipment	2.1	38,347	(149,361)
Comprehensive net expenditure for the year		249,360	60,922

Statement of Financial Position

As at 31 March 2017

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

	Note	£000	31 March 2017 £000	£000	31 March 2016 £000
Non-current assets:					
Property, plant and equipment	6	1,153,729		1,166,018	
Intangible assets	8	658		401	
Total non-current assets			1,154,387		1,166,419
Current assets:					
Inventories	10	482		533	
Trade and other receivables	12	12,156		21,634	
Cash and cash equivalents	11	4,995		3,464	
Total current assets			17,633		25,631
Total assets			1,172,020		1,192,050
Current liabilities					
Trade and other payables	13	(44,449)		(47,212)	
Total current liabilities			(44,449)		(47,212)
Total assets less current liabilities			1,127,571		1,144,838
Non-current liabilities					
Provisions	14	(4,614)		(4,512)	
Total non-current liabilities			(4,614)		(4,512)
Total assets less liabilities			1,122,957		1,140,326
Taxpayers' equity and other reserves:					
General fund		801,020		775,455	
Revaluation reserve		320,648		363,583	
House of Commons Commission reserve		1,289		1,288	
Total equity			1,122,957		1,140,326

David Natzler
Accounting Officer
11 July 2017

Statement of Cash Flows

For year ended 31 March 2017

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

		2016-17	2015-16
	<i>Note</i>	£000	£000
Cash flows from operating activities			
Net operating cost		(211,013)	(210,283)
Adjustments for non-cash transactions	3	21,211	20,036
(Increase)/Decrease in trade and other receivables	12	9,478	14,068
(Increase)/Decrease in inventories	10	51	(43)
Increase/(Decrease) in trade payables	13	(4,291)	11,940
Use of provisions	14	(433)	(7)
Donated Asset	6	(15)	(25)
Net cash outflow from operating activities		(185,012)	(164,314)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(46,361)	(38,869)
Purchase of intangible assets	8	(530)	(70)
Net cash outflow from investing activities		(46,891)	(38,939)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		233,433	199,662
Interest received on Commission Reserve Balance		1	23
Capital element of payment in respect of finance lease and on balance sheet (SOFP) Service concession contracts		-	-
Net financing		233,434	199,685
Net increase/(decrease) in cash and cash equivalents in the period before and after adjustment for receipts and payments to the Consolidated Fund		1,531	(3,568)
Cash and cash equivalents at the beginning of the period	11	3,464	7,032
Cash and cash equivalents at the end of the period	11	4,995	3,464

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2017

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

		General Fund	Revaluation Reserve	Commission Reserve	Total Reserves
	Note	£000	£000	£000	£000
Balance at 31 March 2015		776,839	219,790	2,267	998,896
Net Parliamentary Funding – drawn down		199,662	-	-	199,662
Net Parliamentary Funding – deemed	13	4,765	-	-	4,765
Supply (payable)/receivable adjustment	13	(2,178)	-	-	(2,178)
Net Operating Cost		(209,281)	-	(1,002)	(210,283)
Non-Cash Adjustments					
Non-cash charges – auditor's remuneration	3	80	-	-	80
Movement in Reserves					
Additions		-	-	23	23
Recognised in Statement of Comprehensive Expenditure		-	149,361	-	149,361
Transfers between reserves		5,568	(5,568)	-	-
Balance at 31 March 2016		775,455	363,583	1,288	1,140,326
Net Parliamentary Funding – drawn down		233,433	-	-	233,433
Net Parliamentary Funding – deemed	13	2,178	-	-	2,178
Supply (payable)/receivable adjustment	13	(3,706)	-	-	(3,706)
Net Operating Cost		(211,013)	-	-	(211,013)
Non-Cash Adjustments					
Non-cash charges – auditor's remuneration	3	85	-	-	85
Movement in Reserves					
Additions		-	-	1	1
Recognised in Statement of Comprehensive Expenditure		-	(38,347)	-	(38,347)
Transfers between reserves		4,588	(4,588)	-	-
Balance at 31 March 2017		801,020	320,648	1,289	1,122,957

Notes to the Accounts

1. Accounting conventions

1.1 Accounting policies

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

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

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

1.2 Relationship with House of Lords

The House of Commons and the House of Lords hold joint stewardship of the Palace of Westminster. Responsibility for maintenance of the Palace and the remaining parts of the parliamentary estate is shared between the Strategic Estates Team and the Parliamentary Maintenance Services Team which is part of In-House Services. General estates expenditure, individual maintenance and building projects including the Curators Office are shared between the House of Commons (60%) and the House of Lords (40%) and recharged accordingly, or solely allocated to the House of Commons or House of Lords. Other shared costs are split at agreed ratios for that service.

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

The Parliamentary Procurement and Commercial Service (PPCS) is a shared service, operated on behalf of both Houses by the House of Lords. The cost of PPCS is split between the House of Commons (70%) and the House of Lords (30%).

Arrangements for security are agreed jointly by the authorities of both Houses of Parliament with the Metropolitan Police. These costs are monitored jointly by the authorities in the two Houses but are billed individually to the House of Commons and House of Lords in a pre-determined ratio (70:30 for 2016–17). The cost of the Parliamentary Security Department is also shared on the same ratio.

The management of the ICT services for both Houses has been centralised within the Parliamentary Digital Service (PDS) (formerly Parliamentary Information and Communications Technology (PICT) service). PICT (now PDS) formally became a joint department of both Houses on 1 April 2008 under the terms of the Parliament (Joint Departments) Act 2007. Each House pays for its own ICT hardware with the costs of shared services being split between the House of Commons (70%) and House of Lords (30%).

1.3 Property, plant and equipment

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

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

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

(i) Freehold properties

Title to freehold land and buildings is held as follows:

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

The whole of the Parliamentary Estate was re-valued in full by the VOA as at 31 March 2013 but has an interim review each year to reflect any significant changes.

(ii) Long leasehold

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

(iii) Investment properties

The House of Commons holds interests in land and buildings which are classified as investment properties with the rental income being negotiated at arm's length. All contracts are treated on an operating lease basis. These properties are the car park at Abingdon Street, 10 and 11 Bridge Street, and Units A, B and C in Portcullis House. Investment properties in 49 and 50 Parliament Street were subsumed into 53 Parliament Street during the refurbishment of that building.

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

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

(iv) Plant and machinery

Plant and machinery includes the Great Clock mechanism and In House Services' catering equipment and vehicles. The Great Clock was previously valued using appropriate indices at 31 March 2006. The cost of valuing the Great Clock outweighs the benefit provided, therefore there are no plans to re-value it. Catering equipment and vehicles are not re-valued on the grounds of not being material.

(v) Equipment

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

1.4 Donated assets

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

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

1.5 Heritage Assets

The FReM requires organisations to provide additional information, within the financial statements, of any heritage assets held by them as at the year end. The standard defines Heritage Assets as:

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

Each category of heritage asset held by the House of Commons, along with their applicable accounting policy is detailed below. Further information regarding asset management policies can be found in Note 7.

1.6 Antique furniture and House of Commons State Silver

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

A valuation of the collections was carried out by Bonhams and completed in March 2016.

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

1.7 Parliamentary Art Collection

The Parliamentary Art Collection is the national collection of art relating to the history of Parliament. It contains portraits of Parliamentarians and parliamentary events, past and present, wall paintings, sculpture, mosaics and tapestries, oil paintings and works of art on paper within the Houses of Parliament. There is also a collection of coins and medals with associations to former parliamentarians. In total the collection has circa 9,000 objects.

For valuation purposes, the Parliamentary Art Collection is divided into two categories; those objects held as at 31 March 2000 and those objects acquired since that date. No valuation for the Collection at 31 March 2000 is currently included on the Statement of Financial Position because obtaining a valuation for a collection of this size and diversity would be costly. During 2012–13, it was determined that the benefit received by a valuation exercise at this time would not justify the expense incurred. This continues to be the position of the House.

Acquisitions since 1 April 2000 have either been made by purchase or donation. Purchases are recorded at cost and donations are recorded at current value ascertained by the House's Curator of Works of Art with reference, where appropriate, to the commercial art market.

The House's duty of care responsibilities for the Parliamentary Art Collection are carried out by the Curator's Office, with the cost of conservation etc charged to the Statement of Comprehensive Net Expenditure. The individual works of art in the Collection are deemed to have indeterminate lives and as such the House does not therefore consider it appropriate to charge depreciation.

1.8 Antiquarian books

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

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

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

1.9 The Speaker's state coach

The Speaker's state coach is a seventeenth century gilded and painted carriage. Following a programme of conservation and repair in 2007–08, it was loaned to the National Trust for public display at the Carriage Museum at Arlington Court in Devon. As part of the loan agreement, the National Trust indemnifies the coach for an indemnity value of £1.6 million.

The value of the Speaker's state coach is not currently valued on cost benefit and practicality grounds. It is not therefore shown in the Statement of Financial Position.

1.10 Archives

(i) Broadcasting

The broadcasting archive consists of audio and video tape recordings of broadcast coverage from the Chambers in both Houses and also Committees selected by the broadcasters. In November 2015 the Broadcast Unit switched from tape to server recording. 38,000 video tapes and 36,000 audio tapes are held in the collection in 7 Millbank. Audio dates from 1978 and the House of Commons video collection dates from 1989.

In 2015 Parliament began the process of digitising the video tapes in order to preserve the content stored on the ageing video tapes. Audio tapes will continue to be held in storage.

The archive is valuable in an historical sense but is difficult to quantify in practice. The content is made freely available as duplicated copies to anyone who orders it with a small fee applied to cover the costs of transfer. Consequently, the value for this archive is not included on the Statement of Financial Position.

(ii) Parliamentary Archives

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

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

1.11 Ceremonial items

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

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

1.12 Architectural salvage and estate archives

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

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

1.13 Depreciation

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

Depreciation is charged on a straight line basis. The period over which to depreciate property assets is advised by the Valuation Office Agency (VOA). The rates adopted are calculated to write off the valuation of freehold buildings, plant, equipment and intangible assets by equal instalments over their estimated

useful lives, with the exception of heritage assets (i.e. antique furniture, State Silver and the Parliamentary Art Collection with an estimated life of more than 200 years). Heritage assets are not depreciated because the long remaining life or high residual value of the asset makes any such charge immaterial. Capital works on leasehold property are depreciated on a straight line basis over the lease period. The capitalised costs for assets in the course of construction are not depreciated until the assets are brought into use.

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

Property	Years
Land	not applicable
Palace of Westminster	80
Freehold property (excluding Portcullis House)	15-40
Portcullis House	46
Leasehold property	4-32
Years	
Furniture - standard	10
Plant & machinery	5-10
Fixtures and fittings - standard	10
General office equipment	3-5
IT equipment including telephony	3-5
Broadcasting equipment	10
Intangible assets	3-5
Years	
Antique furniture and Works of Art	Indefinite

1.14 Intangible assets

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

1.15 Current investments

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

1.16 Inventories

Inventories are valued as follows:

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

1.17 Impairment

The House of Commons reviews its assets for impairment and accounts for any adjustments in accordance with the FReM (as adapted for the House).

1.18 Operating income

Operating income relates directly to the operating activities of the House of Commons and includes, refreshments, retail and visitor ticket sales, videos, fees from filming, private bill fees, and royalties. Fees and charges are set in accordance with the House of Commons policy which is published via www.parliament.uk/site-information/foi/transparency-publications/hoc-transparency-publications/financial-information/financial-policies/

1.19 Foreign exchange

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

1.20 Leases

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

1.21 Private Finance Initiative (PFI) transactions

During 2013-14 the House entered into a service concession agreement (see Note 9.2). This contract has been disclosed in accordance with the appropriate accounting standards (IFRIC 12: Service Concession Arrangements and IAS 17: Leases).

1.22 Contingent liabilities

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the estimated current amounts.

1.23 VAT and Corporation Tax

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

The House is not subject to Corporation Tax.

1.24 Third party assets

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

1.25 Impending application of newly issued accounting standards not yet effective

There are no newly issued accounting standards not yet effective that would have a significant impact on these financial statements. Exposure drafts have been proposed by HM Treasury for IRFS 15 (Revenue from Contracts with Customers) and IRFS 16 (Leases) will be effective from reporting periods after 1 January 2018 and 1 January 2019 respectively.

1.26 Segmental Reporting

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

1.27 House of Commons Commission Reserve

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

2. Statement of Operating Costs by Operating Segment

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

The work of each Team is described briefly below.

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

In-House Services (IHS) – (formerly part of Department of Facilities): provides the accommodation, logistics, catering, retail, estate and asset management, environmental management, fire safety, business continuity and other facilities required by the House.

Strategic Estates (SE) – (formerly part of Department of Facilities): brings together all teams delivering capital investment along with supporting Property, Planning and Design teams.

Corporate Services (CS) – (formerly Department of Human Resources and Change and Department of Finance): is responsible for corporate strategy and planning. It also develops HR, finance and policies and standards to support internal customers across the House, organisational development and monitoring of performance.

Participation (PAR) – (formerly part of Information Services): seeks to engage the public in the work Parliament does. It provides educational and visitor tours and retail services.

Research and Information (R&I) – (formerly part of Information Services): informs the work of the House and its Members.

Parliamentary Digital Services (PDS): a joint department with the House of Lords which provides information and communications technology services to both Houses of Parliament, including the funding set aside for investment on ICT related Programmes and Projects.

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

Central Provision (CP): covers other centrally held funds.

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

Governance Office (GO): supports the Clerk of the House of Commons in his roles as Accounting Officer and Corporate Officer, and provides assurance to him through risk management, health and safety reporting and internal audit. It includes the secretariats for the House of Commons Commission, the Finance and Administration Committees and other domestic committees. It also supports the Executive Committee, the Board and the Director General.

Communications (CO) – (formerly part of Governance Office and Information Services): promotes the work of the House Service to Members and Members' staff and is also responsible for House-wide corporate communications to House Service staff.

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

2016-17											
	CCT	IHS	SE	CS	PAR	R&I	PDS	GO/SPK & CO	PSD	CP	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Expenditure	35,396	40,546	55,290	14,923	8,703	11,351	27,576	4,629	25,348	3,983	227,745
Income	(393)	(10,248)	(940)	(477)	(4,570)	-	(2)	(99)	(3)	-	(16,732)
Net Expenditure	35,003	30,298	54,350	14,446	4,133	11,351	27,574	4,530	25,345	3,983	211,013
Total assets											1,172,020
Net assets											1,122,957

2015-16 restated											
	CCT	IHS	SE	CS	PAR	R&I	PDS	GO/SPK & CO	PSD	CP	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Expenditure	37,002	40,789	55,688	10,602	8,448	10,646	22,345	3,525	22,263	15,357	226,665
Income	(463)	(9,230)	(1,221)	(447)	(4,354)	(18)		(100)		(549)	(16,382)
Net Expenditure	36,539	31,559	54,467	10,155	4,094	10,628	22,345	3,425	22,263	14,808	210,283
Total assets											1,192,050
Net assets											1,140,326

2015-16										
	DCCS	DF	DFin	DHR&C	DIS	PDS	GO/SPK & PSD	PP	CP	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Expenditure	40,637	92,413	3,465	7,314	19,910	19,213	25,224	3,132	15,357	226,665
Income	(470)	(10,343)	(22)	(428)	(4,569)	-	(1)	-	(549)	(16,382)
Net Expenditure	40,167	82,070	3,443	6,886	15,341	19,213	25,223	3,132	14,808	210,283
Total assets										1,192,050
Net assets										1,140,326

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

	2016-17	2015-16
	£000	£000
Total net expenditure reported for operating segments	211,013	210,283
Net (gain)/loss on revaluation of Property, Plant and Equipment	38,347	(149,361)
Net (gain)/loss pension liabilities due to changes in actuarial assumptions	-	-
Total net expenditure per Statement of Comprehensive Net Expenditure	249,360	60,922

The revaluation of the Parliamentary Estate during the financial year resulted in a net loss of £38,217,000 reflecting an improvement in the property market and changes to the tender price index and location factor used for interim valuations. The net revaluation loss of £38,217,000 has been allocated between the Revaluation Reserve (loss: £38,347,000) and the Statement of Comprehensive Net Expenditure (gain: £130,000).

3. Expenditure

	Note	2016-17		2015-16	
		£000	£000	£000	£000
Grants	4		3,605		3,524
Goods and services					
Accommodation services		33,394		32,741	
Security ²⁰		15,461		24,706	
Information		2,644		6,760	
Computer maintenance		8,803		6,562	
Finance and specialist services		4,521		4,257	
Catering and other supplies		4,457		3,940	
Communications		3,005		3,138	
Other staff costs		3,272		2,811	
Travel and subsistence		2,641		1,932	
Broadcasting		1,336		1,072	
Office supplies		604		596	
Pension Fund Transfer		-		12,210	
			80,138		100,725
Rentals under operating leases					
Buildings rental		16,006		16,998	
Other rental		721	16,727	473	
					17,471
Interest charges			-		1,556
Service Concessionary Arrangements					
Service charge element of Finance Lease		677		619	
Interest on Finance Lease		29		46	
			706		665
Non-cash items					
Depreciation	6	19,679		19,970	
Amortisation	8	273		335	
Impairment	6	769		2,038	
(Profit)/loss on disposal of property, plant & equipment	6	-		1	
Net (gain)/loss on revaluation of property, plant and equipment	2.1	(130)		(3,414)	
Auditors' remuneration and expenses ²¹		85		80	
Provisions ²²	14	535		738	
			21,211		19,748
Sub total			122,387		143,689
Staff Costs ²³			105,358		82,976
Grand Total			227,745		226,665

20 The decrease in security costs when compared to the prior year can be explained by the transfer of Security Officers. These costs were historically spent against operational budgets, as a cost of the Metropolitan Police Contract, but are now part of the House's staff costs and headcount.

21 Auditors have received no remuneration for non-audit work

22 This figure does not include the capital provision of £288k

23 See Accountability Report, 2b for details of staff costs

4. Grants paid

	2016-17	2015-16
	£000	£000
Commonwealth Parliamentary Association (UK Branch)	1,261	1,246
History of Parliament Trust	1,139	1,125
Inter Parliamentary Union (British Group)	910	900
British Irish Parliamentary Assembly	104	89
British American Parliamentary Group	79	78
Association of Former Members of Parliament	12	12
Other parliamentary (various)	100	74
	3,605	3,524

Grants to parliamentary bodies are split between the House of Commons and the House of Lords on a 70:30 basis. The table above shows the House of Commons contribution only.

5. Income

	2016-17	2015-16
	£000	£000
Receipts from sales	15,245	13,831
Rental receipts and associated charges	939	931
Other receipts	506	1,554
Fees on private bills	15	-
Grants (from the Speaker's Art Fund)	12	41
	16,717	16,357
Donated Asset (see note 6 for details)	15	25
	16,732	16,382

6. Property, plant and equipment

	Land	Buildings	Dwellings	Heritage Assets	Furniture & Fittings	Plant and Machinery	Information Technology	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
As at 1 April 2016	186,627	1,752,944	15,516	25,399	2,949	6,364	20,027	336	2,010,162
Additions	-	32,666	-	19	472	268	3,160	9,776	46,361
Donations ²⁴	-	-	-	15	-	-	-	-	15
Disposals	-	-	-	-	-	-	(17)	-	(17)
Impairments ²⁵	-	(709)	-	-	-	-	(147)	-	(856)
Reclassifications	-	247	-	57	-	-	-	(304)	-
Revaluations ²⁶	10,021	(77,466)	668	-	-	-	-	-	(66,777)
At 31 March 2017	196,648	1,707,682	16,184	25,490	3,421	6,632	23,023	9,808	1,988,888
Depreciation									
At 1 April 2016	-	825,274	1,381	-	1,619	1,382	14,488	-	844,144
Charge in the year	-	16,562	276	-	287	608	1,946	-	19,679
Disposals	-	-	-	-	-	-	(17)	-	(17)
Impairments	-	(87)	-	-	-	-	-	-	(87)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	-	(28,622)	62	-	-	-	-	-	(28,560)
At 31 March 2017	-	813,127	1,719	-	1,906	1,990	16,417	-	835,159
Carrying amount at 31 March 2016	186,627	927,670	14,135	25,399	1,330	4,982	5,539	336	1,166,018
Carrying amount at 31 March 2017	196,648	894,555	14,465	25,490	1,515	4,642	6,606	9,808	1,153,729

24 A donation of £15,000 from the The National Secular Society was made for the purchase of a bronze portrait bust of Charles Bradlaugh.

25 The building impairment includes the £0.7 million investment in 39 Victoria Street

26 Land and Buildings were valued in March 2017 by Marc Seabrook, FRICS of Valuation Office Agency.

	Land	Buildings	Dwellings	Heritage Assets	Furniture & Fittings	Plant and Machinery	Information Technology	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
As at 1 April 2016	186,627	1,752,944	15,516	25,399	2,949	6,364	20,027	336	2,010,162
Additions	-	32,666	-	19	472	268	3,160	9,776	46,361
Donations ²⁴	-	-	-	15	-	-	-	-	15
Disposals	-	-	-	-	-	-	(17)	-	(17)
Impairments ²⁵	-	(709)	-	-	-	-	(147)	-	(856)
Reclassifications	-	247	-	57	-	-	-	(304)	-
Revaluations ²⁶	10,021	(77,466)	668	-	-	-	-	-	(66,777)
At 31 March 2017	196,648	1,707,682	16,184	25,490	3,421	6,632	23,023	9,808	1,988,888
Depreciation									
At 1 April 2016	-	825,274	1,381	-	1,619	1,382	14,488	-	844,144
Charge in the year	-	16,562	276	-	287	608	1,946	-	19,679
Disposals	-	-	-	-	-	-	(17)	-	(17)
Impairments	-	(87)	-	-	-	-	-	-	(87)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	-	(28,622)	62	-	-	-	-	-	(28,560)
At 31 March 2017	-	813,127	1,719	-	1,906	1,990	16,417	-	835,159
Carrying amount at 31 March 2016	186,627	927,670	14,135	25,399	1,330	4,982	5,539	336	1,166,018
Carrying amount at 31 March 2017	196,648	894,555	14,465	25,490	1,515	4,642	6,606	9,808	1,153,729

27 A donation of £25,000 from the Speaker's Art Fund was made towards the purchase of a portrait of Stanley Baldwin.

28 Land and Buildings were valued in March 2016 by Marc Seabrook, FRICS of Valuation Office Agency.

Land and Buildings analysed by Net Book Value

Analysed by individual land, buildings and investment property

	31 March 2017			
	Land	Buildings	Investment	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Palace of Westminster ²⁹	90,000	567,130	-	657,130
Portcullis House	42,291	230,644	-	272,935
Norman Shaw North	20,692	16,258	-	36,950
1 Parliament Street	14,066	13,514	-	27,580
Norman Shaw South	9,986	9,985	-	19,971
1 Derby Gate	8,986	8,294	-	17,280
1 Canon Row	7,499	6,473	-	13,972
49-53 Parliament Street	3,128	4,693	-	7,821
Visitors Reception building	-	7,340	-	7,340
Improvements to leasehold buildings	-	4,117	-	4,117
Education centre	-	4,945	-	4,945
3 Parliament Street	2,137	2,138	-	4,275
2 Parliament Street	1,961	1,739	-	3,700
4 Canon Row	1,430	1,170	-	2,600
2 Canon Row	1,165	1,165	-	2,330
102 Rochester Row	387	473	-	860
22 John Islip Street	525	175	-	700
Abingdon St Car Park	-	-	4,794	4,794
Units A, B & C Portcullis House	-	-	10,380	10,380
10 Bridge Street	-	-	3,868	3,868
11 Bridge Street	-	-	2,120	2,120
Net Book Value at 31 March 2016	204,253	880,253	21,162	1,105,668

	31 March 2016			
	Land	Buildings	Investment	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Palace of Westminster ³⁰	87,600	592,734	-	680,334
Portcullis House	42,637	235,455	-	278,092
Norman Shaw North	17,680	16,320	-	34,000
1 Parliament Street	12,549	14,151	-	26,700
Norman Shaw South	8,695	9,805	-	18,500
1 Derby Gate	7,567	8,533	-	16,100
1 Canon Row	7,072	6,528	-	13,600
49 -53 Parliament Street	2,827	4,713	-	7,540
Visitors Reception building	-	7,798	-	7,798
Improvements to leasehold buildings	-	4,970	-	4,970
Education centre	-	5,563	-	5,563
3 Parliament Street	2,040	2,210	-	4,250
2 Parliament Street	1,908	1,692	-	3,600
4 Canon Row	1,375	1,125	-	2,500
2 Canon Row	1,080	1,170	-	2,250
102 Rochester Row	380	465	-	845
22 John Islip Street	483	207	-	690
Abingdon St Car Park	-	-	4,820	4,820
Units A, B & C Portcullis House	-	-	10,230	10,230
10 Bridge Street	-	-	4,000	4,000
11 Bridge Street	-	-	2,050	2,050
Net Book Value at 31 March 2015	193,893	913,439	21,100	1,128,432

²⁹ The total value of the Palace at 31 March 2017 was £1,095,217,000 (House of Commons' share £657,130,000)

³⁰ The total value of the Palace at 31 March 2016 was £1,133,891,000 (House of Commons' share £680,334,000)

7. Heritage assets

7.1 Antique furniture and House of Commons State Silver

The collection consists of:

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

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

The House's detailed management, preservation, disposal and access policy have been approved by the Parliamentary Estates Forum. Subject to the approval of the House, the Head of Collection (Furniture and Decorative Arts) in the In-House Services Team, may dispose of items from the collection, although this will only happen in exceptional circumstances and will be in accordance with the Museum Association's disposal policy³¹. The vast majority of items in the collection were acquired over 40 years ago.

Note 6 includes the value of the Antique furniture (£15,573,970) plus House of Commons State Silver (£2,612,120).

A summary of transactions for the last five years is as follows:

	2016-17 £000	2015-16 £000	2014-15 £000	2013-14 £000	2012-13 £000
At 1 April	16,280	16,267	16,254	16,254	16,254
Additions	-	13	13	-	-
At 31 March	16,280	16,280	16,267	16,254	16,254

³¹ www.museumsassociation.org/collections/disposal-toolkit-and-training

7.2 Parliamentary Art Collection

The Collection has circa 9,000 works of art, over 80% of which are on display throughout the buildings of the Parliamentary Estate at any one time. The earliest pieces date from the medieval age, with major holdings dating from the 18th, 19th and 20th centuries, and significant contemporary holdings also. Although historically this is a single collection of art for the Palace of Westminster, in 1992 the Parliamentary Art Collection was divided between the two Houses, with each House assuming ownership responsibilities for its share.

The collection comprises the following categories:

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

A summary of transactions for the last five years is as follows:

	2016-17	2015-16	2014-15	2013-14	2012-13
	£000	£000	£000	£000	£000
At 1 April	7,214	7,118	6,737	1,669	1,613
Additions	76	71	31	68	54
Donations	15	25	350	5,000	2
At 31 March	<u>7,305</u>	<u>7,214</u>	<u>7,118</u>	<u>6,737</u>	<u>1,669</u>

The Parliamentary Art Collection is managed by the Curator's Office, which is responsible for all aspects of its management, care, conservation, documentation, presentation and interpretation in accordance with the policies that are approved by the Speaker's Advisory Committee Works of Art. Further details, including examples of some of the artwork, can be found on the 'Art in Parliament' website at www.parliament.uk/art.

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

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

An active loans policy is pursued, with works of art acquired on loan to fill gaps in the Collection. Loans are from both public bodies and private individuals. Loans will not be accepted from bodies or individuals which would be seen to compromise the integrity of the House, and therefore the identity of each lender must be made known in advance of the loan proceeding.

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

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

7.3 Medals

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

A total of 546 medals are recorded in the collection which is on public display in the Medals Corridor in the House of Commons where it can be viewed.

7.4 Ceremonial items

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

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

8. Intangible assets

The House's intangible assets comprise software licences and intellectual property rights.

	Assets under construction	Software Licences	Trademarks & Artistic Originals	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2016	6	2,090	10	2,106
Additions	-	530	-	530
Disposals	-	-	-	-
Reclassifications	(6)	-	6	-
At 31 March 2017	-	2,620	16	2,636
Amortisation				
At 1 April 2016	-	1,704	1	1,705
Charged in year	-	272	1	273
Disposals	-	-	-	-
Reclassifications	-	-	-	-
At 31 March 2017	-	1,976	2	1,978
Carrying amount at 31 March 2016	6	386	9	401
Carrying amount at 31 March 2017	-	644	14	658
	Assets under construction	Software Licences	Trademarks & Artistic Originals	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2015	6	2,080	-	2,086
Additions	-	60	10	70
Disposals	-	(50)	-	(50)
Reclassifications	-	-	-	-
At 31 March 2016	6	2,090	10	2,106
Amortisation				
At 1 April 2015	-	1,420	-	1,420
Charged in year	-	334	1	335
Disposals	-	(50)	-	(50)
Reclassifications	-	-	-	-
At 31 March 2016	-	1,704	1	1,705
Carrying amount at 31 March 2015	6	660	-	666
Carrying amount at 31 March 2016	6	386	9	401

9. Capital and other commitments

9.1 Commitments under leases – Operating leases

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

	2016-17	2015-16
	£000	£000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	10,849	16,591
Later than one year and not later than five years	36,469	66,364
Later than five years	31,472	85,920
Total	78,790	168,875
Other ³²		
Not later than one year	519	519
Later than one year and not later than five years	301	820
Later than five years	-	-
Total	820	1,339

9.2 Commitments under PFI and other service concession arrangements

(i) On-balance sheet (SoFP)

During 2013-14, the Houses of Parliament contracted with a supplier to provide and maintain specific parts of the IT network. Under IFRIC 12, the provision of assets by the supplier is considered to be an asset of the Houses of Parliament and is capitalised. Consequently, the contract is considered to include a finance lease comprising two elements – imputed finance lease charges and service charges.

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

	2016-17	2015-16
	£000	£000
Rentals due within one year	342	342
Rentals due later than one year but not later than five years	28	370
Rentals due later than five years	-	-
	370	712
Less: interest element	(12)	(41)
Present value of obligations	358	671

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

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

	<u>£000</u>	<u>£000</u>
Service charge due within one year	463	463
Service charge due later than one year but not later than five years	38	501
Service charge due later than five years	-	-
Total	<u>501</u>	<u>964</u>

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

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of off-balance sheet (SoFP) PFI or other service concession transactions and the service element of on-balance sheet PFI or other service concession transactions was £677,000 (2015-16: £619,000).

9.3 Capital commitments

	<u>2016-17</u>	<u>2015-16</u>
	<u>£000</u>	<u>£000</u>
Contracted capital commitments at 31 March not otherwise included in these financial statements for property, plant and equipment.	42,023	26,394

9.4 Financial instruments

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

Liquidity risk

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

Interest rate risk

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

Foreign currency risk

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

Fair values

The fair values of the House primary financial assets and liabilities as at 31 March 2017 are the same as the book values shown in the Statement of Financial Position.

10. Inventories

	2016-17	2015-16
	£000	£000
Retail	354	387
Catering	25	53
Store equipment	74	72
Other	29	21
	482	533

11. Cash and cash equivalents

	2016-17	2015-16
	£000	£000
Balance at 1 April	3,464	7,032
Net change in cash and cash equivalent balances	1,531	(3,568)
Balance at 31 March	4,995	3,464
<i>The following balances at 31 March were held at:</i>		
Government Banking Service	3,311	605
Commercial banks and cash in hand	395	522
House of Commons Commission Reserve account (see note 1.27)	1,289	2,337
Balance at 31 March	4,995	3,464

12. Trade receivables, financial and other assets

	2016-17	2015-16
	£000	£000
<i>Amounts falling due within one year:</i>		
Trade receivables	2,901	12,150
Deposits and advances	594	545
VAT and other taxes	989	1,342
Prepayments and accrued income	6,012	7,552
	10,496	21,589
<i>Amounts falling due after more than one year:</i>		
Prepayments and accrued income	1,660	45
	12,156	21,634

13. Trade payables and other current liabilities

	2016-17	2015-16
	£000	£000
<i>Amounts falling due within one year:</i>		
Other taxation and social security	2,723	1,957
Trade payables	2,416	1,380
Other payables	5,851	8,611
Accruals and deferred income	29,395	32,415
Current part of imputed finance lease element of on-balance sheet (SoFP) service concession arrangements	358	671
	40,743	45,034
Amounts issued from the Consolidated Fund for supply but not spent at year end	3,706	2,178
	44,449	47,212
There are no amounts due to be paid after one year	-	-

14. Provisions for liabilities and charges

	Legal Claims & Other	Dilapidation Costs	Departures	Total
	£000	£000	£000	£000
Balance at 1 April 2015	16	3,477	-	3,493
Provided in the year	12	639	375	1,026
Provisions not required written back	-	-	-	-
Provisions utilised in the year	(7)	-	-	(7)
Borrowing costs (unwinding of discounts)	-	-	-	-
Balance at 31 March 2016	21	4,116	375	4,512
Provided in the year	133	351	51	535
Provisions not required written back	-	-	-	-
Provisions utilised in the year	(58)	-	(375)	(433)
Borrowing costs (unwinding of discounts)	-	-	-	-
Balance at 31 March 2017	96	4,467	51	4,614

Legal claims

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

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 15.

Dilapidation costs

This reflects the legal obligation of the House, in accordance with the terms of the lease agreement of three leasehold properties, to provide for re-instatement and dilapidations.

Departures

This relates to departures through the Voluntary Exit Scheme.

15. Contingent liabilities

The House of Commons has the following contingent liabilities:

	<u>1 April 2016</u>	<u>in year</u>	<u>year</u>	<u>31 March 2017</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Personal injuries and employee claims	50	288	(28)	310
Works of Art on loan from various collections	2,674	26	(250)	2,450
Total	2,724	314	(278)	2,760

16. Related-party transactions

As Members of Parliament, any related party transactions of Commission Members should be recorded in the Register of Members' Interests.

J Benger by virtue of his position as Clerk Assistant, is a Trustee of the History of Parliament Trust, which receives a grant from the House of Commons.

D Natzler, the Clerk of the House and M Barrett, the Finance Director were both Trustees of the Speaker's Art Fund during 2016–17, which receives a donation in lieu of commission on sales from the House of Commons (Participation).

P Young, a member of the Board, is a Trustee for the Speakers Parliamentary Placement Scheme which receives a donation from the Members' Estimate.

The House of Lords and the House of Commons share some buildings and services. These include the Palace of Westminster, together with services provided by the Parliamentary Estates Directorate, Parliamentary Archives, Parliamentary Digital Services, and certain Education and Outreach activities.

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

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

The House of Commons incurred expenditure of £79,896,000 (2015-16: £54,672,000) on behalf of the House of Lords during 2016–17. The balance as at 31 March 2017 relating to accommodation, works and other shared services owed to the House of Commons by the House of Lords was £114,000 (in 2015-16: £923,000 owed to the House of Lords by the House of Commons).

The House of Lords incurred expenditure of £1,481,000 (2015-16: £1,251,000) on behalf of the House of Commons during 2016–17. The balance as at 31 March 2017 owed to the House of Lords by the House of Commons was £296,000 (2015-16: £100,000).

Digital Services manages the ICT for both Houses. Each House pays for its own IT hardware, with the costs of shared services being split on an agreed 70:30 ratio (Commons: Lords).

The British-Irish Parliamentary Assembly (BIPA) is provided with accounting services and accommodation. The House made payments of £125,000 on behalf of the BIPA in 2016–17. At the year end, the balance due from BIPA in respect of 2016–17 expenditure was £4,500. Accommodation is also provided to the British American Parliamentary Group (who are also given accounting support at the year-end), Commonwealth Parliamentary Association (UK Branch) and the British Group of the Inter-Parliamentary Union.

	House of Commons	House of Lords
Communications services, Curator's Office, POST	70%	30%
Visitor Tours	70%	30%
Accommodation and Works services	60%	40%
Broadcasting services	60%	40%
The Parliamentary Archives	40%	60%
Parliamentary Security Department	70%	30%
Parliamentary Procurement and Commercial Service	70%	30%

17. Third-party assets

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

	<u>2016-17</u>	<u>2015-16</u>
	<u>£000</u>	<u>£000</u>
Gratuities and service charges	58	48

18. Events after the reporting period date

In accordance with the requirements of IAS 10, post Statement of Financial Position events are considered up to the date on which the accounts are authorised for issue by the Accounting Officer. This is the date of the Certificate and Report of the Comptroller and Auditor General. I confirm there are none.

Annual Report of the Administration Estimate Audit and Risk Assurance Committee

Introduction

1. This is the seventeenth annual report of the House of Commons Administration Estimate Audit and Risk Assurance Committee (AEARAC), which was established by the House of Commons Commission on 15 May 2000.
2. This report outlines the AEARAC's conclusions in relation to the Administration Estimate for the financial year 2016–17. The Committee's findings are set out by reference to the key areas on which it is required to provide assurance to the Accounting Officer under its terms of reference.
3. Details of the AEARAC's terms of reference, membership and activity during the year are provided in the Appendix to this report.

Conclusion for the financial year 2016-17

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

Main Conclusion

4. The financial year 2016–17 has been one mostly of progress but also of inertia. Following the conclusion of the Director General's Review in April 2016 the management and staff of the House of Commons Service have focused on implementing ongoing changes in governance arrangements. The restructuring of the organisational structure of the Service has included the creation of a Board, in addition to the Executive Committee. In addition, emphasis on a long term strategy has underpinned work in a variety of areas of work

of the Service, such as customer relations, people and ways of working. However, these changes have not been able to cure continuing difficulties in collective decision making which impact on risk. The continued failure of the two Houses to make a decision in principle on the Restoration and Renewal Programme increases exposure to fire and other risks, such as the adverse consequences of disrupted project programmes.

5. It has been encouraging to note some areas of improvement, following concerns expressed by the Committee. For example, work on risk management has sought to clarify accountabilities and increase understanding of the role of risk management in the organisation.
6. Some areas of concern, identified in last year's Report, remain. These reflect the ongoing need for an appropriate organisational culture. A follow-up review of the work of Internal Audit on compliance culture concluded that compliance had not improved to the level anticipated and that previously identified issues such as inaccurate management information, competing priorities and tone from the top remained. However, the expectation is that the appointment of a Head of Compliance and Policy will lead to beneficial change. The greater importance placed by senior management on the implementation of agreed management actions from previous Internal Audit Reports has been welcome, although a low level of implementation in some areas, such as Safety Management, remains.
7. We note the Director of Internal Audit's overall opinion on the House's framework of governance, risk management and control for 2016–17 as a limited opinion. This means that the management, control and governance processes in place are generally adequate for the purposes of the House of Commons but there are significant weaknesses in their operation which impair their effectiveness, such that they could be, or could become, inadequate and ineffective. We concur with this view. The Committee has noted a continued failure over, now, six years to improve the pace of improvement. In last year's Report the Committee stated its expectation that early steps would be taken to ensure that future risks to the running of the Service and the House of Commons are assessed and mitigated more effectively than in the past, underpinned by the new leadership structure.

As already noted, some important steps have been taken in this respect. However the Committee remains concerned that the pace of improvement may not be sufficient to mitigate the clear and present threats to the well-being of the organisation which the House of Commons Service serves.

Supporting evidence

8. Cyber security and security generally have continued to be a preoccupation of the Committee during the year, building on previous audit work, which has highlighted, for example, the unacceptably high level of risk from cyber attacks given the high status of the House. Progress on Internal Audit Safety Management recommendations has been slow. Concerns about the statutory oversight of safety requirements have led the Committee to request an audit of all boards and groups which exercise oversight functions during the next financial year. A Review of Fire Safety highlighted a number of ongoing risks. Incidents such as the murder of Jo Cox MP in June 2016 and the terrorist attack on 22 March 2017 have underlined the importance of work on security generally, which is ongoing.
9. Third party management, through procurement and contract management is a critical and continuing challenge. The establishment of the Parliamentary and Procurement Service has resulted in improved compliance but issues relating to value for money and day to day contract management will require further monitoring.
10. Internal Audit work by both the House of Commons and House of Lords reinforced concerns raised in previous years about project and programme management. These included a significant underspend on the capital estimate, project governance, budgetary control and post project evaluation. The creation of the Enterprise Portfolio Management Office, Strategic Estates Portfolio Management Office and Digital Portfolio Office evidence management's resolve to address these long standing sources of concern.

11. A number of reviews during the current and previous financial years have highlighted a need to improve the quality of data in information systems, such as when reporting sickness absence or in delivering learning and development.

The integrity of the Annual Accounts

12. We have reviewed the Annual Accounts.
13. We consider the Accounts acceptable for signature by the Accounting Officer. We are satisfied with the Annual Governance Statement and the process undertaken to produce it.

The work of the internal audit service

14. We note that Internal Audit (IA) largely completed its audit plan during the period, meeting its target. We note that the relationship between IA and Deloitte continues to work well, with Deloitte, in general, providing specialist knowledge in specific areas rather than taking on entire audits.
15. We also welcome the continued close cooperation by Internal Audit with its colleagues in the House of Lords.
16. Overall we are satisfied that the scope and nature of the work of Internal Audit, supported by its partnership with Deloitte, and in parallel with the work of the NAO as the external auditors, adequately underpins the assessment of the Accounting Officer of the system of internal control.

The external audit by the external auditor

17. We are satisfied with the scope and nature of the work of the NAO and believe that the NAO carried out its external audit work with due independence. We are satisfied that the unadjusted misstatements reported therein do not require adjustment. These errors, together with the recommendation contained within the audit completion report do not highlight any substantive weakness in financial control.
18. We have noted the contents of the letter of representation, which is standard, including the required disclosures on fraud and regularity and the additional disclosure on 39 Victoria Street.
19. We are satisfied that the audit opinion was appropriate

Other matters as were referred to the Committee by either the Accounting Officer or the Commission

20. In December 2015 the Accounting Officer had asked the Chair of the Committee to review the process by which the House Service had acquired the leasehold on a property as part of planning for the Northern Estate Programme. The Committee considered the results of this review and concluded that the original decision to lease the property was made in good faith and after the necessary processes but that security advice could have been more effectively used.

Appendix

Terms of reference

1. The Committee has the following terms of reference, which are approved by the House of Commons Commission (the last changes were agreed in March 2017):

<p>Remit The Administration Estimate Audit and Risk Assurance Committee pursues its objectives and fulfils its responsibilities on behalf of the Commission and, as it deems appropriate, shall draw any matters arising within these terms of reference to the attention of the Commission.</p> <p>Membership The membership of the Committee shall be:</p> <ul style="list-style-type: none">• 3 MP members, including:<ul style="list-style-type: none">○ A Member of the House of Commons Commission○ A Member of the Finance Committee• 3 external Members, appointed by the Commission <p>The Chairman shall be appointed by the Commission from amongst the external members of the Committee.</p> <p>Quorum The quorum of the Committee shall be 3, including 1 MP and 1 external member.</p> <p>Objectives The Committee supports the Accounting Officer in discharging his responsibilities under the Administration Estimate, particularly with regard to the maintenance of an effective system of internal control. The Committee also provides assurance to the Accounting Officer and the Commission that risk is being managed effectively by the organisation. The Committee's objective is to give assurance to the Accounting Officer on:</p> <ul style="list-style-type: none">• The effectiveness of the system of governance, risk management and internal control (referred to collectively as the "system of internal control")• The integrity of the Annual Accounts• The work of the internal audit service• The external audit by the external auditor• Other matters as may be referred to it by either the Accounting Officer or the Commission <p>Responsibilities</p> <p><u>Governance, Risk Management and Internal Control</u></p> <p>The Committee is responsible for reviewing governance, risk management and internal control ("the system of internal control"). This reviewing will include:</p> <ul style="list-style-type: none">• The effectiveness of the design and operation of the system of internal control• The development and operation of the system of risk management, in accordance with the overall risk management policy• The level and range of assurances on the management of risks• The adequacy and implementation of proposed management actions to improve the effectiveness of internal controls <p><u>Annual Accounts</u></p> <p>The Committee is responsible for reviewing the Annual Accounts before their submission to the Accounting Officer. This review to include:</p>

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

Internal Audit

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

- Involvement in the appointment of the Director of Internal Audit and the audit partner
- Agreement to the annual internal audit plan and monitoring of progress
- Consideration of the results and findings from internal audit work and the adequacy of management responses
- Consideration of the Director of Internal Audit's annual report and opinion

External Audit

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

- Recommendations on the appointment and scope of work of the external auditor
- Consideration of the external audit strategy
- The results of the external audit work, including any reports to those charged with responsibilities for governance, and the adequacy of management responses
- Representations made by management to the external auditor
- Annual review of the external auditor's independence and effectiveness

Work of the Committee

Membership

2. The Committee is chaired by an external member, Dame Janet Gaymer DBE, who is also an external member of the House of Commons Commission. Barbara Scott and Stephen Brooker were the other two external members of the Committee at the start of the financial year. Barbara Scott's term of office ended on 31 December 2016; Jane McCall was appointed to the Committee on 2 February 2016, and is also a member of the House of Commons Commission. Stephen Brooker's term of office ended on 31 July 2016. Robert Scruton was appointed to the Committee in his place with effect from 1 August 2016. The MP members of the Committee until 31 October 2016 were Sir Paul Beresford MP, Tom Brake MP and Rt Hon Nick Brown MP. Thereafter the Rt Hon Nick Brown was succeeded by the Rt Hon Dame Rosie Winterton. Membership of the AEARAC is the same as that of the Members Estimate Audit Committee.
3. The Clerk of the House, The Director General of the House of Commons, the Director of Finance, the Director of Internal Audit and officials from the National Audit Office also attend the Committee's meetings. These officials 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. The Committee is also supported by a Committee Assistant.

Meetings

5. The Committee met formally five times in the financial year 2016–17: on 13 April, 6 and 20 July, 19 October 2016 and 24 January 2017.
6. In addition it held an informal joint seminar with the House of Lords Audit Committee to consider audit best practice on 21 March 2017.
7. The external members of the Committee held informal meetings with the House's finance team and the NAO to discuss the draft House of Commons Administration Estimate Accounts on 7 June 2017.

Internal Audit

8. The Committee routinely receives an oral report at its meetings from the Director of the Internal Audit, together with a paper showing progress against the annual work programme, summaries of the main conclusions from completed audit assignments and the balance between core audit and the other work undertaken by Internal Audit.
9. There have been a number of staffing changes to the Internal Audit team. At the start of the financial year the Internal Audit team was comprised of the Director of Internal Audit, two internal auditors and a fast stream annual placement. The Director of Internal Audit was in post throughout the financial year but left the House of Commons Service on 19 May 2017. The two internal auditor positions did not change during the year although one of the auditors is currently acting Director of Internal Audit. The fast stream annual placement is being replaced with a permanent audit trainee.

10. All qualified staff maintained their continuing professional development in the year. The Internal Audit team updated their self-assessment against their professional standards and confirmed that a series of continuous improvements were being addressed.
11. Deloitte, as the Internal Audit external support, assisted in eight audits during the year, as well as supporting the team with access to resources and information and some counter fraud work. Due to the specialist skills required, Deloitte supported audits in such areas as ICT audits, risk management and procurement.

Internal audits considered by the Committee

12. There were 27 audits included on the 2016–17 Internal Audit plan relating to the Administration Estimate. There were a further seven final audit reports presented to the July 2016 committee meeting, relating to the 2015/16 Internal Audit plan.
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.
14. Audits discussed by the Committee dealt with a wide range of topics, covering:
 - a. Core audit issues such as procurement and project management,
 - b. Corporate issues, such as risk management and compliance culture
 - c. Services provided by the House Service.
15. The Committee also followed-up implementation of agreed management actions. The Committee received a number of follow-up audits including regular progress updates from tracking by Internal Audit.
16. Further information on specific audits is included in the minutes of the Committee's meetings which are available on the Committee's website.

Risk Management

17. The Committee continued to fulfil its responsibility to monitor the development and operation of the system of risk management, in accordance with the overall risk management policy, and the level and range of assurances on the management of risks.
18. As part of its annual review of its terms of reference, the Committee concluded that it should change its name to the Administration Estimate Audit and Risk Assurance Committee. In addition, since April 2017 the Committee has been providing formal assurance to the Commission and the Accounting Officer that risks are being effectively managed by the organisation and monitored by the Executive Committee. The Board has day to day responsibility for managing risk. In October 2016 the Corporate Risk Management Team attended the Committee to discuss the House Service's system of risk management. The Corporate Risk Management Facilitator will attend future meetings of the Committee.
22. In January 2017 the Committee discussed the NAO's planned approach to auditing the House of Commons Annual Accounts for 2016–17. Other than the risks required to be presumed under ISA 240, the NAO raised no significant risks.
23. The external members of the Committee met with the NAO and Finance staff on 7 June 2017 to discuss the draft House of Commons Administration Estimate accounts for 2016–17. Following this the accounts were discussed by the full Committee on 5 July 2017 prior to being signed off by the Clerk of the House, as Accounting Officer.

House of Lords Audit Committee

24. The Committee held joint meetings with the House of Lords Audit Committee in July 2016 and January 2017. The main items considered were ongoing governance changes, programmes and projects, including the Restoration and Renewal programme, and security. The Committee also continues to share agendas and minutes with the House of Lords Audit Committee.

Internal audit charter

19. The Internal Audit service works to the Public Sector Internal Audit Standards professional framework. The House's Internal Audit Charter, sets out the purpose, role, responsibility, status and authority of internal auditing within the House of Commons and outlining the scope of internal audit work. This Charter was revised in April 2016 and agreed by the Committee.

Planning of the audit programme

20. The Committee agreed the Internal Audit programme for 2016–17 in April 2016. Changes to the programme are reviewed and agreed by the Committee, as necessary.

External Auditors

21. The National Audit Office (NAO) has continued to provide an external audit function for the House of Commons. NAO staff routinely attend meetings of the Committee and receive all of its papers and minutes, although the Committee continues from time to time to discuss certain items of business without auditors present.

Members Estimate Audit Committee

25. A Members Estimate Audit Committee was established by the House's Members Estimate Committee on 14 June 2004. It has the same membership as the Administration Estimate Audit and Risk Assurance Committee (AEARAC) and meets at the same time as the AEARAC – each agenda item sets out whether the Committee is considering it in its capacity as the AEARAC, the Members Estimate Audit Committee or both. The annual report of the Members Estimate Audit Committee will be published with the House of Commons Members Estimate Accounts 2016-2017.

Further information about the Committee

26. The two Audit Committees publish annual reports and certain papers (agendas, minutes and actions arising) on their page on the parliamentary website www.parliament.uk/business/committees/committees-a-z/other-committees/estimate-audit-committees/.

