



The Queen Elizabeth II Conference Centre Annual Report and Accounts 2018–19

Presented to Parliament pursuant to Section 4(6) of the Government Trading Funds Act 1973 as amended by the Government Trading Act 1990

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OGL

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Chief Executive's Statement

I am delighted to be able to report that the Queen Elizabeth II Conference Centre (the Centre) has delivered to the Ministry of Housing, Communities and Local Government (MHCLG) its most successful financial performance since its opening in 1986. The 2018/19 financial year achieved a turnover figure of £15.90m, an increase of £1.60m (11.1%) on the previous year. This has also once again resulted in the delivery of a significant surplus from its operations of £3.38m, an increase of £0.38m (12.7%) on the previous year.

In addition, the Centre has continued to be most successful in achieving industry awards, having won an impressive six individual awards during 2018/19.

Forward bookings for 2019–20 are strong when compared to the equivalent position last year indicating that the business has good forward momentum. For future years, booking levels are also solid and encouraging despite the continuing economic uncertainties, with the position of 2020–21 at 20th June 2019 being £2.51m.

Turnover for 2018/19 of £15.90m was based on room hire of £8.15m with occupancy reaching 70.1% versus a target of 60.0%. During the year, 420 meetings and events were held. Those events were across a wide spectrum of clients including national and international associations, corporate bodies and not for profit organisations including government and charities.

In respect to the Centre's economic contribution, whilst the 2018/19 results are yet to be evaluated, the most recent assessment for 2017/18 concluded that the Centre's business generated a total gross UK expenditure of £318m, a 61% increase since 2013/14; creating a Gross Value Added (GVA) economic contribution of £145m, a 64 % increase since 2013/14. Alongside the economic contribution in 2017/18 the Centre also supported 3,728 FTE jobs, a growth of 46% since 2013/14.

Looking ahead, the QEII Centre's People Plan 2019–2022 will support the Centre as it continues to build a flexible and resilient workforce that will deliver the continued success of this business. The People Plan will set out how the Centre will engage, develop and support everyone to carry out their role to a high standard whilst providing opportunities for everyone to maximise their potential.

The Centre will be preparing for Investor's in People reaccreditation in FY 2019–2020. The Centre will be working to retain the Silver standard awarded in 2017 but is developing a robust action plan which aspires to achieve the Gold Standard.

The Centre has now been included in the Government's emergency contingency planning. Investment in the Centre has continued in the facilities and fabric of the building and a future programme of capital improvements has been developed and approved. During the past year, improvements have included: replacement of lift 10 and its extension to level minus 3 to improve operational capabilities; renewal and refurbishment of core toilet facilities and continuing improvements and upgrades of our event management systems to further improve more efficient working. The introduction of AutoCad Revit has also allowed the business to streamline processes through providing to scale accurate dynamic floor plans for all staff and customers. The Operations Teams have continued improvements with enhancements to the digital service backbone with ongoing training and preparatory work, which has led to a further upgrade of the Centre's management system, EBMS. In addition, the Centre has further updated various equipment across the Centre's audio visual (AV) infrastructure, to ensure that the Centre's AV team, QEII Live, continues to provide the highest quality and service capabilities.

Throughout the year there has been continuing speculation in the press regarding the Centre's involvement in future plans for the restoration and renewal (R&R) programme of the Palace of Westminster. The QEII Centre has been identified by the Joint Committee on the Palace of Westminster as the preferred temporary decant location for the House of Lords. The R&R programme is not expected to commence until 2025, at the earliest, and is still subject to a further vote in Parliament (currently planned for mid-2021) on the cost, design and scope for the works. In the event that Parliament does confirm the QEII for decant, Parliament is likely to require the Centre for early occupation ahead of the decant to modify and repurpose the venue for Parliament's needs. However Management have been advised that the earliest the Centre would be required would be 1 January 2022. It has been agreed that this 2022 date will be continually reviewed and potentially further extended as time progresses.

In the meantime, the Centre continues to operate and to further invest in maintaining and delivering world class facilities and services.

Once again, I would like to pay tribute to the Centre's team, including our contractors, who collectively continue to provide high quality services to our clients and operate the facilities in a very cost-effective manner enabling the Centre to return trading and operating surpluses ahead of expectations.

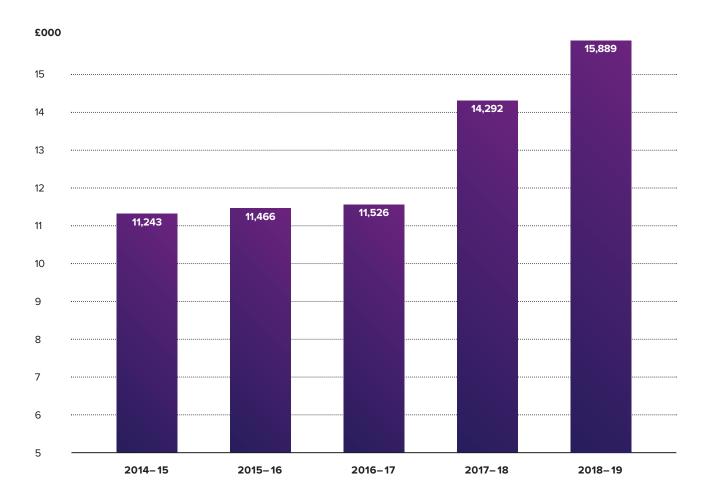
The business continues to focus on delivering a first-class service to the Centre's clients, through establishing successful client partnerships and delivering creative, professional and innovative events. Our aim is to continue to be London's finest specialist events venue with a global reputation for excellence.

Mark Taylor Chief Executive

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5 year record of turnover and surplus

TURNOVER



REPORTED SURPLUS ON ORDINARY ACTIVITIES

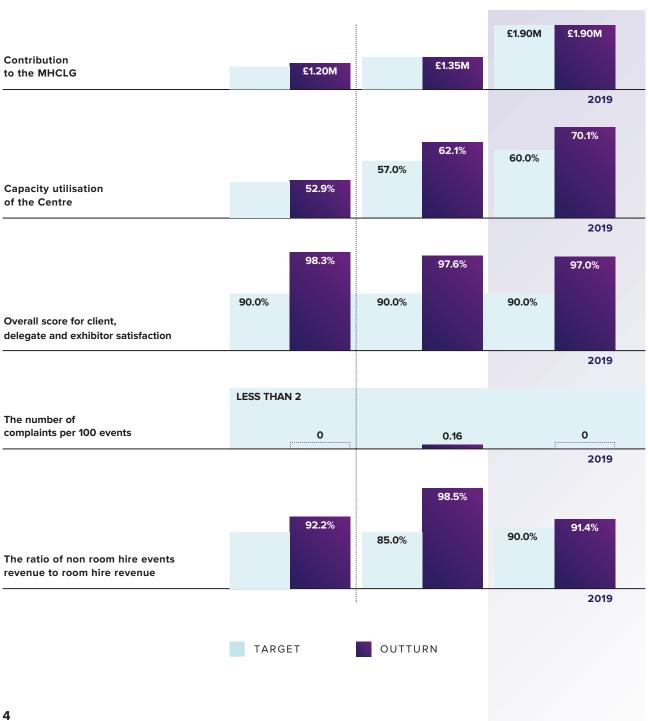
Performance analysis

METHODS OF MEASUREMENT

Capacity utilisation of the Centre is the relationship between the annual room hire revenue and a theoretical annual maximum expressed as 241 days hire of the whole Centre in a leap year and 240 days in a normal year.

The overall score for client, delegate and exhibitor satisfaction is the calculated average of responses to two specific questions in the event questionnaires that accompanies each event. Expressions of overall client, delegate and exhibitor satisfaction are scored as 100 per cent and expressions of dissatisfaction are scored as 0 per cent.

3 YEAR RECORD OF PERFORMANCE AGAINST TARGETS



Overview

1. History and Principal Activities

The Queen Elizabeth II Conference Centre (the Centre) was opened by Her Majesty the Queen in 1986. Trading Fund status was granted on 1 April 1997 under the Government Trading Funds Act 1973. Its role is to provide conference facilities for national and international meetings at the highest level and to market its facilities commercially as a high-quality venue for both Government and private sector use. The Centre continues to operate in the market place with the trading name, the Queen Elizabeth II Centre, which was introduced in 2014.

2. Development and performance during the financial year

2.1 Trading performance

Turnover in 2018–19 increased substantially to £15.90m, an increase of £1.60m (11.1%) over previous year. Room hire increased by 16.3%; QEII Live by 3.0%; QEII Taste by 13.1%; QEII Connect by 9.7%; and other conference activities decreased by 3.5%. The proportion of secondary revenue from QEII Live, QEII Taste and QEII Connect and room hire was 87.5%.

Total costs were 11.0% higher than those in the previous year. Cost of sales increased by £119k compared to 2017–18 reflecting the increase in secondary revenue of QEII Live. Overheads increased by £1.1m on the previous year. Staff costs increased by £217k. Depreciation increased over last year by £111k, reflecting our continued investment in the Centre. Some other increases to note: maintenance £144k, sub-contracted services £461k, production costs £90k, rates £83k and utilities £136k. These overspends were offset by savings in equipment hire, self insurable losses and other costs of £69k. The surplus on ordinary activities of £3.38m was £1.33m better than budget and £0.38m better than the previous year.

In respect to the Centre's economic contribution, whilst the 2018/19 results are yet to be evaluated, the most recent assessment for 2017/18 concluded that the Centre's business generated a total gross UK expenditure of £318m, a 61% increase since 2013/14; creating a Gross Value Added (GVA) economic contribution of £145m, a 64% increase since 2013/14. Alongside the economic contribution in 2017/18 the Centre also supported 3,728 FTE jobs, a growth of 46% since 2013/14. The continuing success in 2018/19 will no doubt be reflected in further increases in the Centre's economic contribution once the detailed evaluation is completed.

2.2 Capital structure

The amount of Public Dividend Capital remains unchanged at £821k. A dividend payment of £1.90m was made to MHCLG which resulted in a retained surplus of £1.48m and increased the General Reserve at 31 March 2019 to £14.6m.

2.3 Cash management

Cash balances increased by £2.28m in the year principally as a result of the greater revenue generated. Suppliers' invoices were paid in accordance with CBI guidelines, within 30 days from the delivery of goods or services or, if later, receipt of an agreed invoice. Credit control measures were effective in limiting exposure to the risk of bad debts.

2.4 Non-current asset management

All fixed assets were checked in March 2019 to confirm that they are still in good condition and relevant to our business. Those assets not meeting these criteria have been sold or scrapped. Depreciation rates are influenced by the speed with which assets become outdated by changes in technology and client requirements.

3. Performance against targets

A payment to MHCLG of £1.90m met our financial target. The occupancy level achieved was 70.1% which is well above the target of 60.0%. The occupancy level is measured by reference to the theoretical maximum annual room hire revenue. The ratio of non-room hire events revenue to room hire revenue was 91.4% which exceeded the target of 90.0%. The two other quality of service KPIs were exceeded. A more detailed report of performance against targets can be found on page 4.

4. Trends and factors affecting underlying performance during financial year

4.1 The market in which we operate

The conference and meetings market are both local and international and are very competitive by nature. A wide range of facilities suitable for hosting conferences is available from large purpose-built conference centres in major cities to single rooms in institutions and hotels, with new and additional capacity regularly coming on stream.

The Centre can accommodate large conferences either alone or as part of a London syndicate and small to medium sized events in rooms that can be let singly. It enjoys a prestigious location facing Westminster Abbey and close to Whitehall, the Houses of Parliament and the London Eye.

The products and services offered by the Centre target sections of the market that value quality, reliability, security and the latest technology. Its competitive advantage is enhanced by its partnership with Compass/Leith's (QEII Taste), whose reputation for quality catering and excellent service is widely recognised. The Centre is an ideal venue for large conferences, with or without an associated exhibition, and for annual general meetings and gatherings of international organisations. It also continues to compete successfully for a diverse range of other events including award ceremonies, banquets, receptions, product launches, fashion shows and other special events.

4.2 Market conditions

Despite the UK's difficult economic conditions the Centre has continued to excel over 2018–19 with booking levels ahead of the same position last year and occupancy has exceeded target reaching 70.1%. The levels of secondary revenue achieved have been extremely strong with the ratio of secondary revenue to room hire achieving 90%. A very strong performance from QEII Live and QEII Taste has been a significant factor in achieving this. Government spending controls have continued to have an adverse impact on traditional levels of business from that sector. Advance bookings at the start of the year for 2019–20 are strong and most encouraging. However for 2020–21 the forward bookings are behind those of one year ago, perhaps reflecting the current UK economic uncertainties and the lag affect that can affect the events sector.

4.3 Management of principal risks

A Risk Register of potential risks has been maintained by Management and is discussed at quarterly meetings of the Risk Management Working Group. Risk is also on the agenda of the bi-monthly Directors' Meetings. The purpose is to evaluate the potential impact of these risks on profitability, to determine what controls are in place to minimise each risk and to propose additional control measures where appropriate. New risks identified are evaluated and added to the Risk Register with appropriate remedial actions. Activity is monitored by the Audit and Risk Assurance Committee which is chaired by a non-executive director. The key risks facing the business are reported in the governance statement.

4.4 Centre strengths and resources

The Centre's principal strengths are its location and the quality of its facilities and services. Its principal resource is the considerable experience, expertise and professionalism of its staff and of its on-site contractors. Analysis of client feedback questionnaires confirms that the Centre is preferred mainly because of the quality of service provided, whether it be the creativity of QEII Tastes' cuisine, the flair of the QEII Live team, the attentiveness of our event managers or our flexibility in dealing with changing circumstances.

5. Trends and factors affecting future performance

5.1 Strategy

The strategic aim of the Centre is to meet the financial objectives of the Trading Fund Order. Following the Government's decision in December 2011 that the Centre would continue to manage its business, through the appointment of a new CEO, there has been a thorough review of the Centre's business strategy. To this end the Centre has established itself as the finest specialist events venue in London with a global reputation for excellence, successful client partnership working and the delivery of creative, professional and innovative events. Its corporate priorities anticipate a growth in clients' expectations of the quality and range of available services, and the use of leading-edge technology. Integrated commercial, operational, financial and HR strategies are updated annually in the light of past performance and perceived changes in market conditions.

5.2 Objectives

The broad operational objective of the Centre, as set out in its Framework Document, is to achieve best value for money in operating the venue as a high-quality facility for use, on a commercial basis, by private sector and government clients for national and international events. Its specific objectives are to further strengthen commercial performance by optimising use of the Centre, to maximise revenue from room hire and the sales of ancillary services, to maintain the interior of the building and its services consistent with a high-quality venue and to ensure that all staff members are properly trained, well-motivated and have opportunities to develop their full potential.

5.3 Building enhancement

Due to a period of limited investment in the facilities of the Centre in the past, there is an ongoing requirement for significant capital investment in the fabric and facilities of the building. Substantial investment has been made over the last five financial years totalling circa. £16m.

The Centre has continued to invest in the facilities and fabric of the building. During the past year, improvements have included: replacement of lift 10 and its extension to level minus 3 to improve operational capabilities, renewal and refurbishment of core toilet facilities, continuing improvements and upgrades of our event management systems (EBMS) to further improve more efficient working. In addition updates have been made to various audio visual (AV) infrastructure, to ensure that the Centre's AV team, QEII Live, continues to provide the highest quality and service capabilities. The Centre is one of a consortium of government buildings that are party to a total facilities management (TFM) contract through Ministry of Justice. The contract commenced on 1 April 2018 and day to day services, at the Centre, are supplied by Kier (Hard services), OCS (Soft services) and KBR (Integrator services).

5.4 Competitive facilities

Market conditions have ensured that a high level of competitiveness remains, and pricing policies have been aggressive against all competitors. Management are determined to ensure that the Centre remains competitive without compromising standards and its position in the market place.

5.5 Trading outlook

The market overall continues to be very competitive with the UK's economic uncertainties creating some hesitancy in the marketplace. The Centre's levels of advanced bookings, albeit encouraging, are not as positive as the corresponding period in the previous year with confirmed bookings for the next financial year, 2020/21, behind by circa £720k in advanced bookings for the following financial year twelve months ago.

Whilst 2019–20 is already shaping up to be a solid financial year with a good mix of business, market confidence and the general economic conditions indicate that it may fall short of the exceptional results delivered in 2018–19. Secondary revenue from QEII Taste, IT and QEII Live services will continue to make a significant contribution but may plateau with client expenditure contraction. The economic and business uncertainty of the UK's withdrawal from the European Union is of increasing concern to the UK meetings industry sector, which although to date has not had a known impact on the Centre's trading, is a noted potential future trading risk.

6. Environmental, social and community issues

6.1 Recycling success

The Centre is committed to the "Greening Government Initiatives 2016–2020" on waste management. Key targets include waste to landfill less than 10% and an overall reduction on waste generated. In 2018–19 the Centre met both these targets.

	2018–19	2017–18	(2016–17)
Recycled	96%	34%	21%
Composted*	26%	26%	43%
Diverted Energy From Waste	20%	32%	15%
Landfill	4%	8%	21%
Waste Generated (tonnes)	294	194	215

^{*}estimate, detail not available for 2018-19

The Centre is committed to continual improvement on sustainability and waste management.

6.2 Energy efficiency

Following previous years investment in energy efficiency measures – for example: lighting controls. Fuel costs are remaining in line year on year, however coming out from our busiest year ever the usage has increased in line with increased occupancy. The Centre continues with an active programme to further reduce its consumption of electricity and gas.

6.3 Corporate Social Responsibility/Sustainability Reporting

The Centre is exempt from producing a sustainability report on the basis that its headcount is below the 250 threshold. The centre has joined the Green tourism accreditation at the Bronze level we now have an plan to further improve on this in 2019/20. Within the local community the Centre works very closely to support the Westminster Victoria BID team and continue to build an ongoing relationship with Westminster Kingsway College with ad-hoc activities with their students.

7. Accounts Direction

This statement of accounts has been prepared in accordance with a Treasury direction, dated 19 December 2016, given in pursuance of section 4(6)(a) of the Government Trading Funds Act 1973.

Mark Taylor, Chief Executive

Moraltaylor

28 June 2019

Accountability Report

DIRECTORS' REPORT

1. Management Board

The following served as members of the Management Board during the year.

Mark Taylor Chief Executive Alison White Non-executive Simon Hughes Non-executive Mark Longford (deceased 10 September 2018) Finance Director Finance Director Noel Hourican (appointed 21 January 2019) Raj Pragji **HR** Director Diane Waldron Sales & Marketing Director Anna Clover Director Venue Operations & Customer Experience

No Directors have outside interests that conflict with their management responsibilities.

2. Employee Involvement

The Centre delivers a range or employee engagement activities to keep staff motivated and engaged to keep on delivering excellent customer service. The Centre maintains regular contact with managers and staff through meetings, circulars and forums and via consultation with trade union representatives. The Centre actively promotes continuous professional development, encouraging staff to keep skills and knowledge updated and relevant. The Centre operates a variety of reward and recognition schemes, for example, staff participate in a group bonus scheme based on the surplus for the financial year.

3. Policy in Relation to Employment of People with a Disability

The Centre operates fair, open and unbiased recruitment and will not discriminate on any grounds as defined by the Equality Act 2010. Full and fair consideration is given to any applicants with a disability, having due regard to their experience, skills and capabilities.

4. Pension Scheme

Staff are eligible to join the Principal Civil Service Pension Scheme. The accounting policy on pension costs can be found in note 1.11 of the Financial Statements and information on the Scheme can be found in note 4 to the Financial Statements.

5. Value of Property

MHCLG holds title to the land and building. MHCLG commissions a valuation of the property on an annual basis and the valuation at 31st March 2019 was £45m.

6. Auditor's remuneration

The Comptroller and Auditor General is appointed auditor under the provisions of the Government Trading Funds Act 1973 and reports his findings to the Houses of Parliament. The cost of the audit of the accounts is £39,000 (2018: £40,000). No other services were provided.

7. Operational performance

The average absence from work during the year due to sickness was 3.8 days per employee (2018: 3.6 days). The above figure does not include two members of staff who were on long term sick leave.

8. Personal Data Incidents

There have been no personal data related incidents during the year.

9. Countering fraud, bribery and corruption

The Centre has comprehensive fraud and whistleblowing policies and processes in place. These are reviewed annually and updated in accordance with Government guidance.

10. Changes in Property, plant and equipment

Changes in property, plant and equipment are summarised in note 7 to the Financial Statements.

Mark Taylor, Chief Executive

Morkhtaylor

28 June 2019

Governance statement

As Accounting Officer, working with the Centre's Management Board, I have responsibility for maintaining effective governance and a sound system of internal control to underpin the achievement of the strategic objectives of the Trading Fund. The key strategic objectives are to optimise commercial revenues from effective operations of the Centre and to achieve targets set by Government including the payment of a dividend to MHCLG.

This statement sets out the key challenges faced by the Centre, the risks identified and under active management, and the control and assurance processes in place to mitigate these risks.

The Advisory Board, chaired by the MHCLG Commercial Director, supports the Permanent Secretary in providing advice to the Secretary of State and Ministers in respect of the regime of corporate planning and target setting. The Advisory Board met on seven occasions during 2018–19 and has overseen a financial year where operating surplus exceeded target by 65.3% and the consistent achievement of dividend targets for the past 14 years.

The Audit and Risk Assurance Committee (ARAC), supports the Management Board and me (as Accounting Officer) in our responsibilities for risk management, control and governance within the Centre. There is also in place a proportionate structure of other committees where accountability has been devolved to ensure decision-making is conducted appropriately.

Key risks to Centre

At the time of preparing this Annual Report the core trading risk facing the business continues to be the uncertainty created regarding the Centre's involvement in future plans for the restoration and renewal (R&R) programme of the Palace of Westminster. The QEII Centre has been identified by the Joint Committee on the Palace of Westminster as the preferred temporary decant location for the House of Lords. The R&R programme is not expected to commence until 2025, at the earliest, and is still subject to a further vote in Parliament (currently planned for mid-2021) on the cost, design and scope for the works. In the event that Parliament does confirm the Centre as the preferred decant site, Parliament is likely to require the Centre for early occupation ahead of the decant to modify and repurpose the venue for Parliament's needs. However, Management have been advised that the earliest the Centre would be required would be 1 January 2022. It has been agreed that this 2022 date will be continually reviewed and potentially further extended as time progresses. The implications of this development are that the Centre will no longer be able to contract events beyond 1 January 2022 and future provisional bookings will be categorised as second options until greater clarity is received. Those clients holding contracts and provisional bookings in this period have been advised by the Centre's Management. In the meantime, the Centre continues to operate and to further invest in maintaining and delivering world class facilities and services.

The other trading risk to note is that the economic and business uncertainty of the UK's withdrawal from the European Union is a point of concern to the UK meetings industry sector. However, to date this has not had any known or quantifiable impact on the Centre's trading performance.

The Risk Management Process

At the heart of the risk management process is an integrated system of long-term planning, allocation of responsibilities and budgetary control. The Centre's business and corporate plan (BCP) has, in the past, been prepared and approved annually with a three-five year horizon; however for 2019–20 it has been agreed that a one year plan would be produced in light of the issues with Parliament, taking into account the risks and opportunities facing the Centre and charting the probable course of trading income, capital investment, and human and financial resources.

Responsibility for delivering a specific section of the BCP is allocated to a Director or the relevant senior manager. Targets are set for the coming year and a plan is drawn up incorporating income expectations and suitable levels of cost to run the business effectively and contain risks at an appropriate level.

Directors allocate specific responsibilities, financial authority and budgets to the managers within their departments. As a result of the current economic climate, and in line with a prudent approach to financial management, close scrutiny of expenditure across all areas of the Centre's operations has been maintained during the year. Close monitoring of all expenditure is undertaken by all managers at regular intervals.

Directors and Managers supply regular reports on the management of risks in their areas of responsibility including progress reports on key projects. These procedures are assessed and overseen by a Risk Management Working Group (RMWG). Strategic risk is also considered at the bi-monthly Directors' meetings, the Audit and Risk Assurance Committee and the Management Board.

The Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee met four times during 2018–19. It is an effective committee chaired by Alison White, an experienced independent Non-Executive Director and qualified accountant. The Audit and Risk Assurance Committee comprises two Non-Executive Directors and in attendance is the CEO, the Director of Finance of the Centre, the NAO, the government's internal auditors (GIAA) and a representative of MHCLG. The quorum was met for all meetings throughout the year.

The Committee oversees the risk management processes and regularly reviews the Centre's risk register. The Committee conducted a deep dive of the risk management process during the year.

The key risks which were identified and managed during the year included:

- Implications of the proposed Restoration and Renewal of the Palace of Westminster project and its possible potential future impact on the business.
- Health and Safety Review of contractor and supplier compliance.
- Retaining and attracting staff of the necessary qualifications and skills due to restraint on pay and benefits.
- Commercial impact on the Centre of exiting from the European Union.
- · Cyber Security controls and procedure review.
- General Data Protection Regulation (GDPR) compliance.
- The inclusion of the Centre as part of government's emergency contingency planning.
- Disaster and Recovery planning for business continuity.

Corporate Governance

The governance structure is organised so that decisions can be taken at the appropriate level. The main elements of the structure other than the Advisory Board and the Audit and Risk Assurance Committee referred to above are as follows:

- The Management Board, chaired by the Centre's Chief Executive, which comprises the executive and non-executive directors, meets at least six times a year, and is accountable for achievement of the strategic objectives and performance of the Centre. This Board oversees the completion and approval of the Centre's business and corporate plan.
- The Directors' meeting brings together the executive directors on a bi-monthly basis to review, monitor and manage operational performance, to manage strategic risks, to ensure clarity of accountability and decision-making at the correct level to optimise performance.
- The Business Performance Management meeting brings directors and managers together on a quarterly basis to review business performance and strategy.
- The Remuneration Committee meets annually to review and approve the results of the performance appraisal process and the proposed allocation of the corporate bonus and the pay remit.
- The Catering Strategic Board meetings are held on a quarterly basis to govern the management of the Catering Contract with Compass/Leith's: this includes reviewing contract performance and joint strategies for growing the business. The CEO and Directors of Finance, Sales and Marketing and Operations are present at meetings with the caterers, who are represented via their onsite General Manager as well as the Divisional Director. A regular walk round with the Catering Manager, TFM Manager, and Director of Venue Operations and Customer Experience also takes place to ensure that all catering areas are being maintained to an appropriate standard.

- Monthly Facilities Management Contract meetings were held between the Centre's management and its contract providers Kier and OCS. These meetings convened when the new facilities management contract commenced in April 2018 with Kier and OCS together replacing the previous contract provider Interserve. The contract is now split between providers with OCS covering cleaning, porterage, reception and security and Kier covering building maintenance and engineering. The CEO chairs a quarterly update meeting with the onsite contractor's management team and regional management.
- The Health and Safety Committee, chaired by the Director of Venue Operations and Customer Experience, meets quarterly and is attended by department representatives, including the TFM and catering contractors. The Centre has recently appointed independent Health and Safety advisers, Havio, who are now also attending these meetings. Fire safety training for all staff occurs annually. A Business Continuity Plan is regularly updated, and table top rehearsals undertaken from time to time.
- A Sustainability Committee, chaired by the Building
 Operations Manager, has met during the year with attendance
 by representatives from each of the Centre's core teams as
 well as the TFM and catering contractors.

System of internal control

The system of internal control is designed, inter alia, to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives. It can, therefore, provide reasonable but not absolute assurance of effectiveness. The system of internal control accords with Treasury guidance and has been in place for the full year to 31st March 2019.

Information Security Assurance

The Centre holds a limited level of sensitive information commensurate with its size and commercial remit. There are data collection policy and controls in place which ensure access to information is managed correctly in accordance with the Data Protection and Freedom of Information Act. There is a Senior Information Risk Owner (SIRO) in place who ensures the overall management of such information. There have been no security breaches during the year.

Internal Audit

The Government Internal Audit Agency (GIAA) provides internal audit services for the Centre. During the year, internal audit produced reports on:

- · Key financial controls (Substantial)
- · HR key controls (Substantial)
- · Facilities management/financial management (Advisory).

As a result of the risks associated with health and safety, the ARAC set the terms of reference for a deep dive in this area during 2017, and subsequently oversaw the improvement action plan which resulted from that exercise. This continued throughout 2018. Due to the specialist nature of this work, further assurance was provided by a specialist independent consultancy Havio, who will also provide reports to the Committee during 2019.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditing organisations and the Directors and Managers of the Centre who have responsibility for the development and maintenance of the internal control framework. My review takes into account comments made by the National Audit Office in their management letter and other reports. I have also been advised on the effectiveness of the system of internal control by the Management Board and the Audit and Risk Assurance Committee.

Conclusion

As Accounting Officer, I have considered the evidence provided regarding the production of the governance statement and the independent advice and assurance provided by the Audit and Risk Assurance Committee. I have concluded that the Agency has appropriate risk management and control systems in place.

 $\textbf{Mark Taylor}, \ \textbf{Chief Executive}$

Moraltaylor

28 June 2019

Remuneration and Staff Report

Paragraphs 1 to 6 are not audited. Paragraphs 7 to 13 have been audited.

1. Membership of Remuneration Committee

The Remuneration Committee comprises Alison White, Non-Executive Director and Chair of the Audit and Risk Assurance Committee, Simon Hughes, Non-Executive Director, the Chief Executive, Sales and Marketing Director, Finance Director, Director Venue Operations & Customer Experience and HR Director.

2. Policy on remuneration of senior managers

The remuneration of the Chief Executive, comprising salary and bonus, is determined by MHCLG. Salaries of all other staff, including Directors and senior managers, are determined by a Performance Management Pay Scheme under which most receive a basic award. There is some scope for up to 10 per cent of high performing staff to receive a higher award and any poor performers receive no increase. In addition, all eligible staff participate in an annual Corporate Performance and Reward Scheme which is linked to both the financial performance of the Centre as well as individual performance.

3. Methods used to measure performance

Staff are appraised against a set of competencies and individually targeted objectives. The appraisals are undertaken bi-annually.

4. Relationship between performance and remuneration

Apart from some small allowances, all remuneration is based on either individual performance or group performance.

5. Staff Resources

The Centre maintains a significant pool of technical expertise in the areas of engineering, audio-visual presentation, IT and telecommunications. Further technical support continued to be provided by Ministry of Justice to the Centre in respect of matters relating to the fabric of the building through Kier and OCS as the contractors who operate building systems and facilities on the Centre's behalf.

At 31 March 2019 the gender of staff employed by the Centre was:

	Male	Female
Directors	2	3
Other Employees	29	16

6. Policy on duration of contracts

The notice period, by either party, for all staff contracts, excluding the Chief Executive and Finance Director, is one month.

7. Staff numbers and related costs

Employee benefits expense	2019	2019	2019	2018
zmproyee zenemo expense	Permanent	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	2,210	60	2,270	2,297
Social security costs	247	6	253	246
Pension	377	13	390	386
Increase/(decrease) in holiday pay accrual	7	0	7	26
Temporary agency staff	0	379	379	127
Total staff costs	2,841	458	3,299	3,082
Staff numbers	2019	2019 Fixed	2019	2018
	Permanent	term	Total	Total
Average number of staff for the year				
Administration	7	1	8	8
Operations	15	0	15	15
Presentations	16	1	17	15
Sales and Marketing	9	1	10	12
Total average number of staff	47	3	50	50

8. Details of Directors' service contracts relevant to the cost of early termination

		ars of service 11 March 2019	Length of notice
Mark Taylor	Chief Executive	6.00	3 months
Mark Longford	Finance Director (deceased 10 September 2018	0.90	
Noel Hourican	Finance Director (appointed 21 January 2019)	0.19	3 months
Raj Pragji	HR Director	25.75	1 month
Diane Waldron	Sales & Marketing Director	4.24	1 month
Anna Clover	Director Venue Operations & Customer Experience	4.18	1 month

9. Table of remuneration

Details of the remuneration of members of the Management Board and non-executive directors are set out below. None of the members received any benefits in kind. There were no expense allowances and no payments of compensation for loss of office.

Member/ Function	Basic salary 2019 £000	Bonus 2019 £000	Pension Benefits 2019 £000	Total 2019 £000	Basic Salary 2018 £000	Bonus 2018 £000	Pension Benefits 2018 £000	Total 2018 £000
Mark Taylor Chief Executive	115–120	20–25	48	185–190	115-120	5–10	46	170-175
Mark Longford Finance (NOTE 1)	30-35	0–5	13	50-55	30-35	0	13	45–50
Noel Hourican Finance (NOTE 2)	10-15	0	6	20-25	0	0	0	0
Raj Pragji Human Resources	65–70	10–15	58	135–140	60-65	5–10	14	80–85
Diane Waldron Sales	70–75	10–15	28	110–115	70–75	5–10	27	105–110
Anna Clover Venue Operations	70–75	10–15	28	110–115	70–75	5–10	27	105–110
Alison White Non-executive	0-5	0	0	0-5	0-5	0	0	0-5
Simon Hughes Non-executive	0-5	0	0	0–5	5–10	0	0	5–10

(NOTE 1) Mark Longford deceased 10 September 2018

(NOTE 2) Noel Hourican appointed on 21 January 2019

The Centre is required to disclose the relationship between the remuneration of the highest-paid director and the median remuneration of the Centre's workforce.

The banded renumeration of the highest paid director in the financial year 2018–2019 was £140,000 – £145,000 (2017–2018 £125,000 – £130,000). This was 3.57 times (2017–2018, 3.22) the median renumeration of the workforce which was £39,424 (2017–2018, £39,388).

In 2018–19, no employees received remuneration in excess of the highest-paid director (2017–18, nil). Remuneration bands ranged from £20,000 – £25,000 to £75,000 – £85,000 (2017–18, £20,000 – £25,000 to £75,000 – £80,000). Total remuneration includes salary, overtime, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

10. Awards to past senior managers

There were no awards to past senior managers.

11. Details of non cash elements of remuneration

There were no non cash elements of remuneration given to any employee during the year.

12. Table of pension benefits

Pension benefits of members of the Management Board are set out below. The capitalised value of accrued benefits transferable to another scheme is shown under Cash Equivalent Transfer Value, (CETV). Non-executive members accrue no pension benefits from the Centre.

		Accrued pension £000	Accrued lump sum £000	2019 £000	2018 £000
Mark Taylor	Chief Executive	15–20	nil	214	157
Mark Longford	Finance (deceased 10/09/2018)	0–5	nil	24	12
Noel Hourican	Finance (appointed 21/01/2019)	0–5	nil	4	0
Raj Pragji	Human Resources	20-25	50-55	389	302
Diana Waldron	Sales & Marketing	5–10	nil	87	59
Anna Clover	Venue Operations	5–10	nil	81	54

The real increases during the year of pension benefits are set out below.

		Accrued pension £000	Accrued lump sum £000	£000
Mark Taylor	Chief Executive	2.5-5.0	nil	30
Mark Longford	Finance (deceased 10/09/2018	0–2.5	nil	9
Noel Hourican	Finance (appointed 21/01/2019	0–2.5	nil	4
Raj Pragji	Human Resources	2.5-5.0	2.5-5.0	38
Diana Waldron	Sales & Marketing	0-2.5	nil	15
Anna Clover	Venue Operations	0-2.5	nil	14

13. Amounts payable to third parties for senior manager services

 $\pounds 53,750$ was paid during the year to third parties for senior manager services.

14. Expenditure on consultancy

In 2017–18 there was no spend on Consultancy. New proposals for Consultancy projects are subject to business case clearance procedures in line with Cabinet Office guidelines.

15. Off-Payroll

There were no other off-payroll arrangements in 2018–19. There were no off-payroll engagements as of 31st March 2019, for more than £245 per day and that lasted longer than six months.

16. Other employee matters

The Centre operates recruitment in line with the Civil Service Commission Recruitment Principles. All new staff receive a good induction to the Centre and have access to appropriate Learning and Development interventions. The Centre operates a wide range of employee engagement activities to keep staff engaged, updated and motivated to deliver excellent customer service. The Centre is committed to the Health and Safety of all staff and a Health and Safety Committee meets quarterly to ensure any issues are promptly dealt with.

A bi-annual performance management system assesses individual performance, identifies learning and development needs and/or opportunities for staff thus aiding career progression.

The Centre promotes its wide range of reward and recognition initiatives on a regular basis.

The Centre's annual pay policy is determined by Treasury/ Cabinet Office pay policy and guidance.

Mark Taylor, Chief Executive

Morahtaylor

28 June 2019

Statement of the Centre and its Chief Executive's Responsibilities

The functions of the Queen Elizabeth II Conference Centre are set out in Statutory Instrument 933, 1997. Primarily these are to provide conference and related services. A more detailed description of aims, objectives, responsibilities and governance arrangements are set out in a Framework Document issued by the Secretary of State.

Under Section 4(6) of the Government Trading Funds Act 1973, as amended, the Treasury has directed the Queen Elizabeth II Conference Centre to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. These accounts accord with a Treasury direction dated 19 December 2016. The accounts are prepared on an accruals basis to give a true and fair view of the state of affairs of the Queen Elizabeth II Conference Centre at the year end and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the Queen Elizabeth II Conference Centre is required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the organisation will continue in operation; to observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements; to apply appropriate accounting policies on a consistent basis; to make judgements and estimates on a reasonable basis; to follow applicable accounting standards and to disclose and explain any material departure from those standards.

The Treasury has appointed the Chief Executive of the Queen Elizabeth II Conference Centre as the Accounting Officer for the Trading Fund. The Framework Document defines the duties and responsibilities of the Chief Executive. Further, his relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances, for the keeping of proper records and for the safeguarding of the Centre's assets are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Managing Public Money.

The Centre and its Chief Executive have taken all reasonable steps to ensure that the auditors have been made aware of all information relevant to their audit, to ensure that there is no relevant information of which the auditors are unaware and to establish that this is so.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Mark Taylor, Chief Executive 28 June 2019

Morkhtaylor

Parliamentary Accountability and Audit Report

Overview

The Parliamentary accountability and audit report bring together the key Parliamentary accountability documents within the annual report and accounts. This section is subject to audit.

Losses, special payments and gifts

Costs falling into the category of losses, special payments and gifts were below the level, currently £300,000, at which they need to be reported separately for both this financial year and the prior year.

Remote Contingent liabilities

There were no contingent liabilities at 31 March 2019 (2018, none).

Mark Taylor, Chief Executive 28 June 2019

Morkhtaylor

The Certificate and Report of the Comptroller and Auditor General to The Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of Queen Elizabeth II Conference Centre for the year ended 31 March 2019 under the Government Trading Funds Act 1973. The financial statements comprise: Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited. In my opinion:

- the financial statements give a true and fair view of the state of Queen Elizabeth II Conference Centre's affairs as at 31 March 2019 and of its surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Queen Elizabeth II Conference Centre in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Queen Elizabeth II Conference Centre's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Centre and Chief Executive for the financial statements

As explained more fully in the Statement of Agency and Chief Executive's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973.

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

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Queen Elizabeth II Conference Centre's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; 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 Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies

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

02 July 2019

Statement of Comprehensive Net Income for the year ended 31 March 2019

		2019	2018
	NOTES	0003	000£
Revenue	2	15,889	14,292
Depreciation and amortisation	7, 8	(1,763)	(1,652)
Staff costs	3	(3,299)	(3,082)
Other expenditure	6	(7,479)	(6,569)
Operating surplus for the year	2	3,348	2,989
Interest receivable		36	12
Operating surplus for the year after interest		3,384	3,001
Payment to MHCLG		(1,900)	(1,350)
Retained surplus/(deficit)		1,484	1,651

Notes to the Statement of Comprehensive Net Income:

The notes on pages 19 to 22 form an integral part of these accounts.

Statement of Financial Position

as at 31 March 2019

		2019	2018
	NOTES	£000	£000
Non-current assets			
Property, plant and equipment	7	9,959	10,063
Intangible assets	8	2	3
Total non-current assets		9,961	10,066
Current assets			
Trade and other current receivables	9	3,101	3,433
Cash and cash equivalents	10	9,910	7,630
Total current assets		13,011	11,063
Total assets		22,972	21,129
Current liabilities			
Trade and other current payables	11	7,118	6,505
Total current liabilities		7,118	6,505
Non-current assets plus net current assets		15,853	14,624
Non-current liabilities			
Deferred revenue	11	412	667
Total non-current liabilities		412	667
Assets less liabilities		15,441	13,957
Taxpayers' equity			
Public Dividend Capital		821	821
General Reserve		14,620	13,136
		15,441	13,957

The notes on pages 19 to 22 form an integral part of these accounts.

Morkhtaylor

Mark Taylor, Chief Executive 28 June 2019

i All operations are continuing.

ii There were no other recognised gains or losses during the year.

Statement of Cash Flows

for the year ended 31 March 2019

		2019	2018
1	NOTES	0003	\$000
Cash flows from operating activities			
Operating surplus after interest		3,384	3,001
Depreciation and amortisation	7, 8	1,763	1,652
Interest received		(36)	(12)
Loss on disposal of non current assets	7	0	5
(Increase)/Decrease in trade and other receivables	9	332	(296)
Increase/(Decrease) in trade and other payables			
due within one year	11	613	1,297
Increase/(Decrease) in trade and other payables			
due after more than one year	11	(255)	150
Net cash inflow from operating activities		5,801	5,797
Cash flows from investing activities			
Property, plant and equipment and intangibles purchases	7, 8	(1,657)	(1,345)
Interest received		36	12
Cash flows from financing activities			
Payment to MHCLG	17	(1,900)	(1,350)
Net Increase/(Decrease) in cash and cash equivalents	i	2,280	(3,114)
Cash and cash equivalents at the beginning of the period	d 10	7,630	4,516
Cash and cash equivalents at the end of the period	10	9,910	7,630

The notes on pages 19 to 22 form an integral part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2019

	Public Dividend Capital £000	General Reserve £000
Balances at 1 April 2017 Comprehensive Net Income for the year	821	11,485 1,651
Balances at 1 April 2018 Comprehensive Net Income for the year	821	13,136 1,484
Balances at 31 March 2019	821	14,620

The notes on pages 19 to 22 form an integral part of these accounts.

Notes to the Financial Statements

for the year ended 31 March 2019

Note 1

Accounting Policies

These accounts have been prepared in accordance with the Government Trading Act 1973 and the 2018–19 Government Financial Reporting Manual (FReM) issued by the Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Queen Elizabeth II Conference Centre for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Queen Elizabeth II Conference Centre are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

These accounts have been prepared on a going concern basis under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets to their value to the business by reference to current costs.

1.2 Property, plant and equipment

The freehold title in the land and buildings is held by MHCLG. This is revalued on an existing use basis each year and disclosed in the accounts for the Department net of the Centre's interest in the property. The Centre does invest in structural enhancements to the property which are capitalised as building improvements and valued at depreciated historical cost. Management consider that, in the absence of a readily obtainable market for such items, this provides a suitable approximation for fair value. Non-property assets are revalued by reference to the cost of modern equivalent assets. Items of furniture, IT and operational equipment valued under £1,000 are written off in the year of purchase. The cost or valuation of a tangible asset is written off on a straight-line basis over its expected useful life from the month of acquisition. Expected useful lives are as follows:

	Life iii years
Building improvements	4–15
Furniture	3–10
IT & telecommunications equipment	2-10
Operational equipment	3–10

Throughout the year there has been continuing speculation in the press regarding the Centre's involvement in future plans for the restoration and renewal (R&R) programme of the Palace of Westminster. The QEII Centre has been identified by the Joint Committee on the Palace of Westminster as the preferred temporary decant location for the House of Lords. However Management have been advised that the earliest the Centre would be required would be 1 January 2022. It has been agreed that this 2022 date will be continually reviewed and potentially further extended as time progresses. In the meantime, the Centre continues to operate and to further invest in maintaining and delivering world class facilities and services. With this in mind continuous consideration is given to asset impairment but with no concrete plans for the timing and future asset use by the R&R programme it is currently considered impractical and inappropriate to estimate the value of any potential impairment. This decision will be revisited annually until the R&R programme's timetable becomes more certain or plans change.

1.3 Intangible assets

Intangible assets acquired separately are revalued internally each year by reference to relevant pricing indices published by the government. The cost or valuation of an intangible asset is written off on a straight-line basis over its expected useful life. Items valued under $\mathfrak{L}1,000$ are written off in year of purchase. Expected useful lives are as follows:

Life in years
Computer Software 3–5

1.4 Value added tax

In the financial statements all figures are shown net of recoverable Value Added Tax.

1.5 Income recognition

Income is recognised on the day that a service is provided. Income invoiced less than one year in advance is shown as a current liability. Income invoiced more than one year in advance is shown as a deposit invoiced more than one year in advance. The new standard IFRS15 is being applied.

1.6 Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Lease receipts under operating leases are recognized as income on a straight-line basis over the lease term.

1.7 Accounting estimates and judgements

The Centre makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other relevant factors. In the future, actual experience may differ from these estimates and assumptions.

1.8 Provisions

The Centre recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where these criteria are not met a contingent liability may be disclosed in the financial statements.

1.9 Foreign currency transactions

Amounts paid or received in foreign currency are converted to sterling at the rate ruling on the day of the transaction. Differences on exchange are immediately written off to the Statement of Comprehensive Net Income.

1.10 Insurance

In accordance with Government policy, the Centre is self-insured. Payments in respect of insurable losses are charged to the Statement of Comprehensive Net Income as they occur.

1.11 Pensions

Pension costs are the monthly contributions by the Centre to the Principal Civil Service Pension Scheme, which accepts the liability for the payment of pensions after retirement.

1.12 Production Costs

Production costs (see note 6) represent the direct cost of staging events excluding staff costs and equipment hire.

1.13 New accounting standards in issue but not yet effective or adopted

There are no new accounting standards which are effective for periods beginning after 1 April 2016 that would have a material impact on the Agency's financial statements.

1.14 New accounting standards adopted early

There are no new accounting standards which are effective for periods beginning after 1 April 2018 that would have a material impact on the Centre's financial statements.

The following has not been adopted early in the accounts:

IFRS 16 Leases – effective date: accounting periods beginning on, or after 1 January 2019. The Centre will be reviewing all existing contracts and operational leases to ensure that when the standard is adopted that we are prepared to provide a true and fair position on the financial statements. The Centre holds very few leases and therefore the application of this standard to the Centre is anticipated to be immaterial.

Note 2

Income analysis

Whilst its principal source of income arises from conference activities (Room Hire, QEII Live, QEII Connect & QEII Taste) the Centre also receives income from renting space within and on is roof. None of the Centre's costs or net assets is identified specifically with the rental activities.

	2019	2018
	£000	£000
Income from room hire	8,149	7,005
Other income from QEII: Live, Taste, Connect & Support	7,450	7,029
Income from conference activities	15,599	14,034
Other rental income	290	258
Income from operating activities	15,889	14,292
Complete an artifactor and artifactor	2.050	2.724
Surplus on conference activities	3,058	2,731
Surplus on rental activities	290	258
Operating surplus for the year	3,348	2,989

Note 3

Staff numbers and related costs

Employee benefits expense

Parr	2019	2019 Others	2019 Total	2018
Peri	nanent £000	£000	£000	Total £000
	2000	2000	2000	£000
Wages and salaries	2,210	60	2,270	2,297
Social security costs	247	6	253	246
Pension	377	13	390	386
Increase/(decrease) in holiday pay accrual	7	0	7	26
Temporary agency staff	0	379	379	127
Total staff costs	2,841	458	3,299	3,082

Staff numbers

	2019	2019 Fixed	2019	2018
	Permanent	term	Total	Total
Average number of staff for the year				
Administration	7	1	8	8
Operations	15	0	15	15
Presentations	16	1	17	15
Sales and Marketing	9	1	10	12
Total average number of staff	47	3	50	50

Note 4

Pension costs

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme and therefore the Queen Elizabeth II Conference Centre is unable to identify its share of the underlying assets and liabilities. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and reflect past experience of the scheme. Employers' contributions of £390,000 (2017–18 £385,576) were payable to the PCSPS at one of four rates in the range based on salary bands of 20.0 to 24.5% of pensionable pay. Rates in 2019–20 are in the range of 20.0 to 24.5% of pensionable pay.

Note 5

Remuneration of the Management Board

Details of the remuneration and pension benefits of members of the Management Board are given in the Remuneration and Staff Report.

Note 6

Other expenditure

	£000	£000
Maintenance and cleaning	2,252	2,108
Sub-contracted services	1,597	1,136
Production Costs	1,270	1,180
Utilities	634	498
Rates	642	559
Equipment hire	259	280
Advertising and marketing	266	275
Travel and subsistence	166	112
Auditor's remuneration	39	40
Entertaining	33	27
Self-insurance losses	13	25
Other costs	170	206
Non-cash items		
Provision for doubtful debts	138	123
Total	7,479	6,569

2019

2018

Note 7

Property, plant and equipment

	Building Improvements	IT & Telecoms Equipment	Operational Equipment	Furniture	Total
	£000	000£	000£	0003	£000
Cost or Valuation					
At 1 April 2018	10,512	801	3,915	1,145	16,373
Additions	1,128	71	438	20	1,657
Disposals	0	(16)	(120)	0	(136)
At 31 March 2019	11,640	856	4,233	1,165	17,894
Depreciation					
At 1 April 2018	3,195	514	2,107	494	6,310
Charge for year	989	125	548	99	1,761
Disposals	0	(16)	(120)	0	(136)
At 31 March 2019	4,184	623	2,535	593	7,935
Net book value					
At 1 April 2018	7,317	287	1,808	651	10,063
At 31 March 2019	7,456	233	1,698	572	9,959

Included within the cost of property, plant and equipment are fully depreciated assets with a cost of £2,770,859 (2018, £1,841,264). The majority of these assets are used as back-up when equipment in use malfunctions and are not in regular day to day use.

Cost or Valuation					
At 1 April 2017	11,449	622	3,000	1,148	16,219
Additions	72	232	1,034	7	1,345
Disposals	(1,009)	(53)	(119)	(10)	(1,191)
At 31 March 2018	10,512	801	3,915	1,145	16,373
Depreciation					
At 1 April 2017	3,204	445	1,792	404	5,845
Charge for year	1,000	118	433	100	1,651
Disposals	(1,009)	(49)	(118)	(10)	(1,186)
At 31 March 2018	3,195	514	2,107	494	6,310
Net book value					
At 1 April 2017	8,245	177	1,208	744	10,374
At 31 March 2018	7,317	287	1,808	651	10,063

Note 8

Intangible assets

•	Computer Software
Cost or Valuation At 1 April 2018 Additions Disposals	118 1 (54)
At 31 March 2019	65
Amortisation At 1 April 2018 Charge for year Disposals	115 2 (54)
At 31 March 2019	63
Net book value At 1 April 2018 At 31 March 2019	3 2
Cost or Valuation At 1 April 2017 Additions Disposals	118 0 0
At 31 March 2018	118
Amortisation At 1 April 2017 Charge for year Disposals	114 1 0
At 31 March 2018	115
Net book value At 1 April 2017 At 31 March 2018	4 3
Note 9	

Trade and other current receivables

	2019	2018
	£000	£000
Amounts falling due within one year:	<u> </u>	
Trade receivables	2,900	3,253
Prepayments and accrued income	187	163
Other receivables	14	17
	3,101	3,433

Note 10

Cash and cash equivalents

Government Banking Service	7,775	5,742
Commercial banks and cash in hand	2,135	1,888
	9,910	7,630

Note 11

Trade and other current payables

Amounts falling due within one year:

Amounts faming due within one year.		
Trade payables	539	529
Value Added Tax	320	558
Other taxes and NI	99	102
Accruals and deferred income	2,498	1,992
Deposits invoiced in advance	3,638	3,303
Other payables	24	21
	7,118	6,505
Deferred revenue due in over one year:		
Deposits invoiced in advance	412	667

Deposits invoiced in advance at 31 March 2019 includes invoices totalling $\pounds 1.65$ m (2018 $\pounds 1.66$ m) that were still outstanding for payment and are included in trade receivables (note 9).

Note 12

Operating leases

The Centre leases out certain facilities under operating leases. Car park spaces are let on annual leases and longer-term lease arrangements are in place for roof space to house telecommunications equipment.

	£000	£000
Future minimum lease receipts		
Not later than one year	34	51
Later than one year and not later than five years	55	55
Later than five years	19	33
	108	139

Note 13

Financial instruments

Short-term debtors and creditors have been excluded from this disclosure. The fair values of the Centre's financial assets and liabilities at 31 March 2019 are as follows.

	Book value	Fair value
	£000	000£
Financial assets		
Cash at bank and in hand	9,910	9,910
Financial liabilities		
Deferred revenue	(412)	(412)

Note 14

Financial risks

Liquidity risk

The levels of capital expenditure and MHCLG payment are both managed to be met from available cash balances. The Centre is reliant on the liquidity of MHCLG to meet a major insurable loss.

Credit risk

The level of credit risk is managed by a credit vetting process which is undertaken for all clients using the Centre. In general, the terms and conditions of contract require payment of room hire prior to the date that the event takes place. Accordingly, credit risk is considered to be low.

Interest rate risk

64% of net assets, (assets less liabilities), is in the form of cash on deposit, earning interest at a rate that varies broadly in line with the Bank Rate.

Foreign currency risk

The Centre has no significant exposure to assets, liabilities, income or expenditure denominated in foreign currencies.

Note 15

Capital commitments

At 31 March 2019 the Centre had no contracts for expenditure on property, plant and equipment (2018, nil).

Note 16

Related party transactions

The Queen Elizabeth II Conference Centre is an Executive Agency of MHCLG, which is regarded as a related party. There were no transactions with the Department during the year. (2018, £2,546). At 31 March 2019 there was a nil balance in trade creditors outstanding with the Department (2018, nil).

There were many normal business transactions with other Government bodies, amounting to significant value in the cases of the Cabinet Office and the Parliamentary Estates Directorate.

No Director, key manager or other related party has undertaken any material transaction with the Centre during the year. Compensation for key management personnel is disclosed in the remuneration report.

Note 17

Financial commitments

The Centre operates its business in accordance with its Trading Fund agreement. The conference building is not owned by the Centre and the Centre does not have a formal lease with the landlord, MHCLG, and accordingly does not pay rent. However, under the terms of a framework document published in November 2018 the minimum dividend payable by the Centre is determined by the capital charge that applies to the building of 3.5%, and 6% of the average capital employed. Payments for 2018/19 and 2019/20 are set at £1.90m per year with no payments for subsequent year.

Estimates of annual current commitments are as follows:

	2019	2018
	£000	£000
Amounts falling due within one year		
Contribution to MHCLG	1,900	1,916
Amounts falling due after one year but within five years		
Contribution to MHCLG	1,900	7,665

As there is no formal lease there is no term to the commitment and it is not possible to arrive at a definitive figure for the commitment beyond 5 years.

Note 18

Events after the reporting period

Under IAS10 the Centre is required to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date that the Comptroller and Auditor General certified the accounts. There have been no material events requiring disclosure between the end of the financial year and the authorised date of issue of these accounts.

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