



HOUSE OF LORDS

Resource Accounts 2008/09

(For the year ended 31st March 2009)

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Foreword to the Accounts

Scope

The House of Lords Administration presents the accounts of the House of Lords for the financial year ended 31st March 2009. The Resource Accounts contain the financial statements relating to the House of Lords Members' expenses and administration etc. Request for Resources, which includes catering and works services expenditure. Information is also included, by way of notes, on the House of Lords Security Fund, the House of Lords Works of Art Collection Fund and the House of Lords Refreshment Department trading activities.

Aims and Objectives

The aim of the House of Lords Administration is to enable the House and its Members to carry out their parliamentary and judicial functions fully and effectively.

The core tasks of the House of Lords administration are:

- to meet the needs of the House and its committees
- to meet the parliamentary and judicial needs of individual Members regardless of party or office
- to make the House and its work accessible to the public
- to maintain the heritage and integrity of the House's buildings and collections

Principal Activities

The House of Lords is the second Chamber of the United Kingdom Parliament and as such is one of the busiest parliamentary chambers in the world. It plays an important part in revising legislation and scrutinising Government policy.

The House of Lords is the ultimate court of appeal in the United Kingdom for all cases except Scottish criminal cases. This work is carried out by 12 Lords of Appeal in Ordinary (Law Lords).

Management Commentary

a. Significant events during the year

Law Lords and the UK Supreme Court

Plans and preparation for the transfer of the Law Lords and Judicial Office function to the new UK Supreme Court have continued during the year. The last judicial sittings in the House of Lords will take place in July 2009 and the new Supreme Court will sit from October 2009. The Judicial Office has ensured that a high-quality service to the Law Lords and to the public is maintained throughout the period of change. The newly appointed Chief Executive of the Supreme Court has been working with the Judicial Office to ensure a smooth transition and to establish the administrative machinery of the new Court.

Works and Accommodation

Detailed design work for the refit of the Millbank Island site has continued during 2008-09. Due to the nature of the renovation and additional works, Members and staff currently occupying the building will decant to 14 Tothill Street for a period of two years until the Millbank Island site renovation is complete.

b. Important events which have occurred since the financial year end

Financial Support for Members of the House of Lords

On 9 June the House Committee agreed to seek an external, independent review of financial support for Members conducted by the Senior Salaries Review Body (SSRB) with the following terms of reference:

“To review options for the system of financial support for Members of the House of Lords, given its current role and composition; and to make recommendations.

In conducting the review, SSRB will have regard to:

- clarity and transparency;
- accountability and public acceptability;
- value for money;
- differing attendance patterns of Members;
- the geographical spread of the membership of the House;
- the financial consequences for Members in participating in the work of the House; and
- schemes operated in comparable circumstances by other institutions”.

It is expected that the SSRB will complete this review by the end of October 2009.

The Lord Speaker, as chair of the House Committee, wrote to the Prime Minister on 9 June asking him to refer the House Committee proposal to the SSRB. The Prime Minister announced on 10 June that he had now done so.

Gentleman Usher of the Black Rod

In May 2009, the Gentleman Usher of the Black Rod, Lieutenant-General Sir Michael Willcocks KCB, retired. On 30th April 2009 Lieutenant-General Sir Freddie Viggers KCB CMG MBE was appointed as the next Gentleman Usher of the Black Rod.

c. House of Lords Annual Report and Business Plan

Further details on the activities of the House of Lords in 2008-09 are contained in the *Annual Report 2008/09* (HL Paper 147) and in the booklet *The Work of the House of Lords*. Additionally, the *House of Lords Business Plan 2009* (HL Paper 64) sets out services to be provided by the administration for the period 2009-12. Both are published on behalf of the House of Lords by The Stationery Office and are available via bookshops and on the internet (www.parliament.uk).

d. Operating and Financial Review

The House of Lords Administration's outturn on net total resources for 2008-09 was £103.9M which was £8.5M lower than the Estimate. The main explanations for this variation against the Estimate are:

- movements in the valuation of the Parliamentary Estate led to the associated non-cash expenditure (i.e. depreciation, capital charges and revaluation costs) being less than anticipated (£1.1M)
- lower than anticipated pension interest costs (£2.6M)
- Pensions transfers and charges lower than expected (£2.3M)
- fewer sitting days than budgeted resulted in reimbursements to Members being less than expected (£1.0M)
- lower than anticipated spend in IT projects and PICT services (£1.4M)
- lower than expected operational spend (£0.1M)

e. Management

Members of the House of Lords (except ministers, certain office holders and Lords of Appeal in Ordinary) do not receive a salary. They are entitled to recover travel and certain other expenses incurred in connection with their parliamentary duties. Members other than ministers and certain office holders are entitled to recover, up to a specified maximum, the cost of overnight accommodation, subsistence and office costs certified by them as incurred for the purpose of their parliamentary duties at sittings of the House and its committees.

Three Members – the Lord Speaker, Chairman of Committees and Principal Deputy Chairman of Committees – are eligible for a salary paid from House of Lords' funds. As at 31st March 2009 the annual salaries for 2008-09 were as follows:

Lord Speaker	£104,368
Chairman of Committees (including £1,667 London Supplement)	£86,191
Principal Deputy Chairman of Committees (including £1,667 London Supplement)	£80,743

Details of the remuneration of the Management Board of the House of Lords are contained in the Remuneration Report.

In March 2009, Carl Woodall was appointed to the new post of Director of Facilities. The Director of Facilities has responsibility for works, accommodation, facilities and services including the attendants and housekeepers. These were previously the responsibility of Black Rod. The Director of Facilities is also responsible for the Refreshment Department.

f. Pensions

Present and past employees of the House of Lords are covered by the provisions of the House of Lords Staff Pension Scheme (HOLSPS). The scheme is an unfunded defined benefit scheme which is operated 'by analogy' with the Principal Civil Service Pension Scheme. The balance sheet includes a provision against which future pension benefits will be charged when paid. The annual accruing cost of benefits is charged to the operating cost statement (see notes 1.12 and 14).

Public Interest and Other

Equal Opportunities, Diversity and Disability

It is House of Lords policy that its staff shall have equality of opportunity for employment and advancement on the basis of their ability, qualifications and suitability for work. There must be no discrimination on grounds of gender, marital status, age, race, colour, disability, religious affiliation or sexual orientation. This policy is in line with Civil Service policy statements, United Kingdom legislation on equality of opportunity and equal pay, and European Union law. Equal opportunities and diversity training are compulsory for all staff and the Equal Opportunities and Diversity Officer is available to advise staff and managers on equal opportunities and diversity matters.

Payments to Suppliers

The House of Lords Administration is committed to the Better Payment Practice Code. The policy is that all bills should be paid in accordance with credit terms, or where no such terms exist, within 30 days of the receipt of the goods or services, or the presentation of a valid invoice, whichever is the later. Payments with regard to Works Services are made in the first instance by the House of Commons.

The calculation of payment performance for 2008-09 has been based on continuous monitoring of payments throughout the year and 96.2% of payments made by the House of Lords met the policy criteria.

Staff Issues

The Clerk of the Parliaments attaches importance to ensuring effective consultation and involvement of staff. Certain trade union organisations, and the House of Lords (Parliament Office) Staff Association, have been recognised by the House of Lords for the purposes of negotiating terms and conditions of service, and are represented on the House of Lords Whitley Committee. Additionally, staff involvement is encouraged as part of the day to day process of line management and staff are consulted as part of the annual business planning process.

Auditor

The Comptroller and Auditor General is the external auditor for the House of Lords. The notional audit fee for 2008-09 was £103,000 (2007-08 – £95,000). No further assurance or advisory services were provided by the auditors.

I confirm that in connection with the audit of the Resource Accounts I have taken steps to ensure that the auditors are aware of all relevant information.

Michael Pownall

Clerk of the Parliaments and Accounting Officer

17th July 2009

Statement of Accounting Officer's Responsibilities

The Government Resources and Accounts Act 2000 requires government departments to prepare Resource Accounts for each financial year detailing the resources acquired, held or disposed of during the year and the use of resources during the year. The House Committee accounts for the House of Lords' Estimate and has determined to apply by analogy the financial reporting provisions of the Act, as required for central government departments. It has delegated responsibility for the preparation of the Annual Accounts to the Clerk of the Parliaments, who is appointed by Her Majesty by Letters Patent and is ex-officio Accounting Officer for the House of Lords.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the House of Lords, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

The Accounting Officer is responsible for preparing the House of Lords' accounts. In discharging these responsibilities the Accounting Officer complies with the House of Lords' Financial Reporting Manual, with reference to the *Government Financial Reporting Manual* issued by HM Treasury, and in particular to:

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

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

Statement on Internal Control

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the House of Lords administration, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify principal risks to the corporate objectives of the House of Lords Administration; to evaluate the likelihood and impact of those risks being realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place throughout the House of Lords Administration during the year ended 31 March 2009 and up to the date of approval of the annual report and accounts.

Capacity to Manage Risk

It is House of Lords policy to integrate risk management into all areas of business activity and to ensure that all significant business decisions are informed by appropriate consideration of the likely risk consequences. The risk management system supports this objective. The system is owned by the Management Board and is subject to scrutiny by the Audit Committee.

Each of the corporate risks of the House of Lords Administration has a nominated risk owner on the Management Board. These officials are responsible for ensuring that the risks allocated to them are managed effectively in accordance with the Administration's risk strategy, and that they are reported to the Management Board on at least an annual basis.

Heads of Offices have been provided with appropriate guidance material and support to allow them to assess risk within their own areas of responsibility. Each Office has been asked to identify and assess key risks to the achievement of its strategic objectives. These risks are referred to in the business plans of each Office and are described in detail in Office risk registers.

The Risk and Control Framework

The Management Board, the Audit Committee and the House Committee all contribute to the development of the risk and control framework. The Management Board has primary responsibility for development of the risk management policy and for implementing appropriate and effective strategies for the management of corporate risks. The Audit Committee has responsibility for reviewing the Administration's approach to risk and for evaluating related managerial actions and decisions. The Audit Committee provides assurances on the effectiveness of risk management to me, as Accounting Officer, and to the House Committee via its Annual Report. I would also inform the House Committee of any substantive change of policy in this area.

All House of Lords Offices are required to maintain separate risk registers; these are the primary means by which Heads of Offices report the management of risk. Each register requires an assessment of the extent to which corporate risks are being managed at Office level. For each risk

detailed there is an assessment of exposure and an identified Office level risk owner. Heads of Offices are required to submit updated risk registers on a quarterly basis. These are used to prepare risk reports for all corporate risk owners on the Management Board.

The responsibilities of all involved in the administration's risk management processes, including the roles exercised by Internal Audit and the Business Planning Group, are included as an annex to the House of Lords risk strategy.

Steps have been taken during 2008-09 to strengthen House of Lords management of information and data security risks. I have asked the Reading Clerk to assume the role of Senior Information Risk Owner and to provide related assurance to the Management Board. Other developments include the provision of guidance to all House of Lords staff; Lords representation on the bicameral Data Assurance Security Group chaired by the Parliamentary Security Co-ordinator; and the recent appointment of a Lords Information Compliance Manager. I believe these measures represent an appropriate response to the level of risk involved but will seek specific internal audit assurance in this area during 2009-10.

I consider that an effective system of risk management is fully embedded in all significant areas of House of Lords administration. I believe it delivers an appropriate and proportionate level of control to all operational activities for which I am responsible.

Internal Financial Control

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties, and financial delegation and accountability. The system is subject to overall supervision by the House Committee. General development and maintenance of the system is undertaken by executive managers within the House of Lords, but is also influenced by accounting arrangements for services which are shared with the House of Commons.

All payments made by the House of Lords in respect of current and capital works services take the form of reimbursement to the House of Commons of expenditure incurred on behalf of the House of Lords. Recharging mechanisms and procedures are the responsibility of the House of Commons and, accordingly, are subject to audit by the House of Commons Internal Audit section. I have received a statement of assurance from the Accounting Officer of the House of Commons regarding the adequacy of the accounting systems used to determine the expenditure charged to the House of Lords.

The House of Commons Accounting Officer has also provided an assurance on the accuracy of various items of accounting information necessary for the preparation of the House of Lords Resource Accounts. This information relates principally to the valuation of parliamentary assets between the two Houses, and to the division of joint costs. It is, of necessity, prepared in the first instance by the House of Commons and subsequently incorporated into the House of Lords Resource Account. I am content to rely on the assurances I have received from the House of Commons.

The Palace of Westminster Special Services Agreement is a contract for the provision of security services to Parliament. It is a tripartite agreement between the House of Lords, the House of Commons and the Metropolitan Police Service. The recharging mechanism takes account of both direct and indirect costs and includes an apportionment of Metropolitan Police overheads which are inherently difficult for House of Lords finance staff to validate. I have therefore sought and

obtained written assurance from the Metropolitan Police concerning the probity of these charges. I am content to rely upon this assurance.

A scheme for providing financial assistance to opposition parties - generally referred to as Cranborne Money - was introduced in 1996. Although funding for this scheme is subsumed within the House of Lords Request for Resources for which I am responsible, I have no direct control over the expenditure involved. Under the terms of the scheme, I rely upon professional audit certificates provided annually by each of the main opposition parties and by the Convenor of Cross-Bench Peers. I am content to rely upon these assurances.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control and for ensuring continuous improvement. A principal source of assurance is the Internal Audit section which operates to defined Government Internal Audit Standards. Based on review work delivered during 2008-09, the Head of Internal Audit has provided a substantial assurance on the strength of House of Lords risk management, control and governance processes.

The review of effectiveness is further informed by the work of executive managers within the House of Lords who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors. I am also guided by the views of the Audit Committee and the Management Board. Appropriate steps are taken to ensure continuous improvement of the system.

The House of Lords does not, and need not, comply with the HM Treasury's *Corporate Governance in Central Government Departments: Code of Good Practice*. A review of corporate governance arrangements is being undertaken in 2009-10.

Payments made under the House of Lords Members' Reimbursement Scheme comprise a significant proportion of the expenditure for which I am responsible. As with other parts of the House of Lords control framework, administration of the Scheme is continually monitored to identify opportunities for improvement. The Audit Committee, supported by Finance Department staff, has examined the Scheme in detail during 2008-09 and raised certain issues with the House Committee. Current control arrangements will be reassessed once the conclusions of the forthcoming SSRB review are known.

A number of internal audit reports considered during 2008-09 have identified the existence of significant internal control issues within the Parliamentary Estates Directorate. The systems concerned are operated within and controlled by the House of Commons. Nevertheless, estates programmes are jointly funded and involve the use of House of Lords resources for which I am responsible. I have therefore sought specific additional assurance from the Director General of Facilities in the House of Commons. Based on this response I am satisfied that adequate remedial action is now being taken.

Michael Pownall
Clerk of the Parliaments and Accounting Officer
17th July 2009

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 Lords for the year ended 31 March 2009. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by the House's Aim and Core Tasks 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 Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Foreword and the financial statements in accordance with the House of Lords Financial Reporting Manual and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

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

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

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

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

Basis of audit opinions

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the House of Lords' Financial Reporting Manual of the state of the House's affairs as at 31 March 2009 and the net cash requirement, net resource outturn, net operating cost, resources applied to aim and core task, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the House of Lords' Financial Reporting Manual; and
- information given within the Foreword and the unaudited part of the Remuneration Report are consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Amyas CE Morse
Comptroller and Auditor General

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

17th July 2009

Statement of Parliamentary Supply

Summary of Resource Outturn 2008-09

Request for Resources	Note	2008-09 £000			2008-09 £000			Net Total outturn compared with Estimate: saving/ (excess)	2007-08 £000 Outturn
		Estimate		Net Total	Outturn		Net Total		
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total		Net Total
Members' expenses and administration etc.	2	120,995	(8,577)	112,418	111,471	(7,553)	103,918	8,500	121,500
Total resources	3	120,995	(8,577)	112,418	111,471	(7,553)	103,918	8,500	121,500
Non-operating cost A in A				-			-	-	-

Summary of net cash requirement 2008-09

	Note	2008-09 £000			Net Total outturn compared with Estimate: saving/(excess)	2007-08 £000 Outturn
		Estimate	Outturn	Outturn		
Net cash requirement	4	86,720	75,012	11,708	98,748	

Summary of income payable to the Consolidated Fund.

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

	Note	Forecast 2008-09 £000		Outturn 2008-09 £000	
		Income	Receipts	Income	Receipts
Total	5	-	-	-	-

Explanations of variances between Estimate and outturn are given in the Management Commentary.

The notes on pages 18 to 35 form part of the accounts

Operating Cost Statement

for the year ended 31 March 2009

	Note	2008-09 £000	2007-08 £000
Programme Costs			
Staff costs	6	22,964	20,976
Expenditure	7	88,507	106,641
Income	8	(7,553)	(6,117)
Totals		103,918	121,500
Net Operating Cost	3	103,918	121,500

Statement of Recognised Gains and Losses

for the year ended 31 March 2009

	Note	2008-09 £000	2007-08 £000
Actuarial gain and adjustments on pension commitments	14,15	6,516	4,129
Net gain on revaluation of tangible fixed assets	16a	29,314	6,481
Recognised gains and losses for the financial year		35,830	10,610

Balance Sheet

as at 31 March 2009

	Note	2009 £000	2008 £000
Fixed assets:			
Tangible assets	9	585,752	561,944
Intangible assets	10	334	635
Current assets:			
Stocks		190	199
Debtors	11	1,150	965
Cash at bank and in hand	12	692	479
		<hr/>	<hr/>
		2,032	1,643
Creditors (amounts falling due within one year)	13	(4,777)	(4,322)
Net current assets		<hr/> (2,745)	<hr/> (2,679)
Total assets less current liabilities		<hr/> 583,341	<hr/> 559,900
Provisions for liabilities and charges	14	(79,134)	(79,424)
		<hr/>	<hr/>
		504,207	480,476
Taxpayers' equity:			
General Fund	15	244,061	247,405
Revaluation Reserve	16a	259,929	232,854
Donated Asset Reserve	16b	217	217
		<hr/>	<hr/>
		504,207	480,476
		<hr/>	<hr/>

Michael Pownall
Clerk of the Parliaments and Accounting Officer

17th July 2009

Cash Flow Statement

for year ended 31 March 2009

	Note	2008-09 £000	2007-08 £000
Net cash outflow from operating activities	17a	(72,390)	(67,696)
Capital expenditure and financial investment	17b	(2,622)	(31,052)
Receipts due to the Consolidated Fund which are outside the scope of the House's activities		-	-
Payments of amounts due to the Consolidated Fund		-	(1,074)
Financing	17c	75,225	98,991
(Decrease)/Increase in cash in the period	17d	213	(831)

The notes on pages 18 to 35 form part of the accounts

Statement of Operating Costs by Aim and Core Tasks

for the year ended 31 March 2009

Aim: To enable the House and its Members to carry out its parliamentary and judicial functions fully and effectively.

	2008-09			2007-08		
	Gross	Income	Net	Gross	Income	Net
Core task 1	31,078	(1,382)	29,696	26,849	(965)	25,884
Core task 2	38,918	(3,897)	35,021	43,951	(3,111)	40,840
Core task 3	6,143	(461)	5,682	4,670	(415)	4,255
Core task 4	35,332	(1,813)	33,519	52,147	(1,626)	50,521
Net operating costs	111,471	(7,553)	103,918	127,617	(6,117)	121,500

The House of Lords' objectives were as follows:

- Core task 1 To meet the needs of the House and its committees.

- Core task 2 To meet the parliamentary and judicial needs of individual Members regardless of party or office.

- Core task 3 To make the House and its work accessible to the public.

- Core task 4 To maintain the heritage and integrity of the House's buildings and collections.

See note 18

Notes to the Resource Accounts

I. Statement of accounting policies

The financial statements have been prepared with reference to the *Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector, and have been applied consistently in dealing with items considered material in relation to the accounts.

In addition to the primary statements prepared under UK GAAP, the Manual also requires the House to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Statement of Operating Costs by Aim and Core Tasks* and supporting notes analyse the income and expenditure by the objectives of the House of Lords Administration.

The Palace of Westminster is a Royal Palace and is under the joint stewardship of the House of Lords and the House of Commons. Responsibility for maintenance of the Palace and the Parliamentary Estate is a function resting with the Parliamentary Estates Directorate and the Director General of Facilities in the House of Commons. Expenditure on the Palace and the Parliamentary Estate is apportioned in a 40:60 ratio (Lords:Commons), or solely allocated to the House of Lords or the House of Commons where appropriate. Expenditure is made on behalf of the House of Lords by the Department of Resources in the House of Commons. Expenditure is then recharged to the House of Lords over the course of the year.

The Parliamentary Archives is a shared facility with relevant costs split in a 60:40 ratio between the House of Lords and the House of Commons.

Security costs are arranged and monitored jointly but are billed separately to the two Houses by the Metropolitan Police, apportioned in 31:69 ratio (Lords:Commons). Additionally, the two Houses incur administration costs on each other's behalf. These are recharged over the course of the year, on the basis of agreed proportions.

Since 1 January 2006 the management of the ICT services for both Houses has been centralised within the Parliamentary Information and Communication Technology (PICT) service. Each House pays for its own ICT hardware with the costs of shared services being split on an 80:20 ratio. Joint ICT development project costs are shared on an agreed project by project basis. PICT formally became a joint department of both Houses on 1 April 2008 under the terms of the Parliament (Joint Departments) Act 2007.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets and stocks, where material, at their value to the House of Lords by reference to their current costs.

1.2 Basis of consolidation

These accounts comprise a consolidation of the House of Lords Members' expenses and administration costs, the transactions of the House of Lords Refreshment Department, and the House of Lords Works of Art Collection Fund.

1.3 Fixed Assets

The minimum level for the capitalisation of both tangible and intangible fixed assets is £1,000. Smaller items may be grouped depending on whether such groups have a significant value above the capitalisation threshold.

Notes to the Resource Accounts - *continued*

i. Land and Buildings

Land and buildings shown in the accounts are as follows:

- a. property on the Parliamentary Estate administered by the House of Lords;
- b. property on the Parliamentary Estate administered by the House of Lords and House of Commons jointly.

The Parliamentary Estate is subject to a full revaluation every 5 years and an interim review every 3 years. The valuations are undertaken by the district valuers of the Valuation Office Agency (VOA) in accordance with Financial Reporting Standard (FRS) 15 and the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors (RICS), and are subject to instructions issued by the House of Commons. In the intermediate years the Palace of Westminster is revalued using appropriate indices based on the RICS 'Tender Price Index'. The remainder of the Parliamentary Estate is revalued using appropriate indices from HM Treasury.

Properties regarded by the House of Lords as operational are valued on the basis of Existing Use Value or, where this could not be assessed because there was no market for the subject asset, on a Depreciated Replacement Cost Value (DRC) basis.

ii. Antique Furniture

The antique furniture was previously valued at 31st March 1998. Each year the Furniture Manager in the Parliamentary Works Services Directorate carries out an internal review to assess if any revaluation adjustment is required. During 2006-07 the furniture was valued by H Blairman & Sons who gave an indicative valuation for purposes of insurance which was the value used at 31st March 2008.

iii. Plant and Machinery

Plant and Machinery comprises the clock mechanism in the Clock Tower, popularly known as 'Big Ben', and equipment in the Cromwell Green Entrance.

iv. Other Tangible Assets

Other tangible assets have been stated at current cost using appropriate indices where appropriate. For 2008-09 other tangible assets were not subject to revaluation as the modified costs were not material.

v. Assets in the Course of Construction

Assets in the course of construction have been capitalised at cost.

vi. Intangible Fixed Assets

Intangible fixed assets relate to development costs and licences to use software developed by third parties, which are valued at cost.

1.4 Non-Operational Heritage Assets

The House of Lords has the following categories of non-operational heritage assets – the Works of Art Collection, the Parliamentary Archives, early printed books and Members' Robes. Of these, only the value of the Members' Robes is included in the balance sheet. The others are not capitalised, being defined as collections in existence at 31st March 2000 according to the FReM. Additions since 1st April 2000 are valued at cost.

Notes to the Resource Accounts - *continued*

i. Works of Art Collection

Parliament has collected Works of Art since 1841, depicting parliamentary institutions and statesmen and stateswomen. The collection originally consisted of works of art commissioned by the Fine Arts Commission, with the purpose of bringing the history of the nation to life on the walls of the interiors of the Houses of Parliament. Many of the works added later were acquired as donations from Members of both Houses. Until 1991 the collection was held jointly by both Houses of Parliament; at that date the works were nominally split between the two Houses on the basis of where works were situated at that date. However, this split did not necessarily reflect actual ownership at the date of acquisition, or the locations for which the works were originally commissioned or intended. The total size of the collection is disclosed in a footnote to note 9.

Details of the House of Lords Works of Art Collection Fund are contained in note 27.

ii. The Parliamentary Archives

The Parliamentary Archives comprise several million documents that have been preserved at the Palace of Westminster from 1497 in a variety of formats, from vellum and parchment to modern computer disk. Parliamentary records prior to 1497 form part of The National Archives. The records are predominantly unique and irreplaceable and have been preserved for their historical, legal and administrative value.

The Record Office was established in the House of Lords in 1946, became a shared facility with the House of Commons in 1999 and was renamed the Parliamentary Archives in 2006. The Parliamentary Archives publishes an Annual Report which is available via www.parliament.uk.

iii. Early Printed Books

The House of Lords Library holds a collection of early printed books, which dates back to the fifteenth century.

iv. Members' Robes

The House of Lords holds robes which are lent to Members for ceremonial use on State occasions. These were donated or bequeathed to the House by former Members, are secured within the Palace and cleaned and repaired as necessary. The Donated Assets Reserve is comprised of these robes which, due to their long life, are not depreciated.

1.5 Depreciation and Amortisation

Depreciation and amortisation is provided at rates calculated to write off the valuation of freehold buildings and other fixed assets over their estimated useful lives. Depreciation is not charged on freehold or leasehold land, nor on the Great Clock or antique furniture, where, in accordance with FRS 15, the long remaining life or high residual value of the assets makes such a charge immaterial. Lives are normally in the following ranges:

Palace of Westminster	86 years
Other buildings	remaining life (between 22-35 years)
Fixtures and fittings	10 years
Refreshment Department silverware	20 years
Broadcasting equipment	10 years
Telephone equipment	5-10 years
General office equipment	5-10 years
Plant and Machinery (excluding clock mechanism)	5-10 years
Computer file servers and software	3-5 years
Other IT equipment	3-4 years

Non-operational heritage assets are not depreciated as the long economic life or high residual value makes any such charge immaterial.

1.6 Stock and work in progress

Stock includes goods for resale and other stock held by the Refreshment Department. Finished goods for resale are valued at cost or, where materially different, current replacement cost and at net realisable value only when they either cannot or will not be used.

Notes to the Resource Accounts - continued

1.7 Research and Development

Any expenditure on research and development is treated as an operating cost in the year in which it is incurred.

1.8 Income

Income relates directly to the operating activities of the House of Lords. It includes receipts from fees from Judicial proceedings and taxation of costs, Private Bill proceedings, and reproduction of parliamentary archives, receipts in connection with the provision of catering facilities, rental income, staff pension contributions and other pension receipts. It includes not only income appropriated in aid of the Estimate, but may include income to the Consolidated Fund, which is treated as operating income.

1.9 Administration and programme expenditure

The House of Lords is outside HM Treasury's administration costs control regime. To enable the House of Lords to produce the Resource Accounts with sufficient detail to provide a true and fair view of the state of its affairs, the requirements of the *Financial Reporting Manual* have been adapted. For reporting purposes, the same level of detail has been provided in the Accounts as a whole as would be necessary for a government department.

1.10 Capital charge

A charge, reflecting the cost of capital utilised by the House of Lords, is included in operating costs. The charge is calculated at the real rate set by HM Treasury, currently 3.5%, on the average carrying amount of all assets less liabilities, except for:

- donated assets and cash balances with the Office of the Paymaster General, where the charge is nil
- additions to heritage collections where the existing collection has not been capitalised

1.11 Foreign exchange

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

1.12 Pensions

Present and past employees of the House of Lords are covered by the provisions of the House of Lords Staff Pension Scheme (HOLSPS) described in note 6. The pension scheme is accounted for under the terms of *FRS 17 Retirement Benefits*. The annual accruing cost of providing for future benefits is charged to the operating cost statement and is based upon rates determined by the Government Actuary and advised by HM Treasury. These rates were in the range of 17.1-25.5% of pensionable pay. A provision to meet the liability is included on the balance sheet. The HOLSPS contains particular arrangements in respect of employees who retire early on medical or structural grounds. These costs are identified separately in the accounts where appropriate.

1.13 Leases

Operating lease rentals are charged to the operating cost statement over the lease term. The House of Lords holds two properties on 999 year leases, which are capitalised and depreciated over the useful life of the buildings.

1.14 Grants payable

The House of Lords made the following annual grant payments:

	2008-09	2007-08
	£	£
History of Parliament Trust	352,000	330,000
The Commonwealth Parliamentary Association	567,300	-
The Inter-Parliamentary Union	452,700	-
The British-Irish Inter-Parliamentary Body	61,200	-
The British-American Parliamentary Group	31,800	-
	1,465,000	330,000

Notes to the Resource Accounts - *continued*

1.15 Financial Instruments

Financial instruments are initially recognised at fair value unless otherwise stated. Fair value is the amount at which such an instrument could be exchanged at an arm's length transaction between informed and willing parties.

Cash and cash equivalents include cash in hand and cash at bank. Trade and other debtors are carried at fair value, which is represented by their invoiced value less any subsequent reduction through the provision of bad and doubtful debts. Trade creditors and other liabilities are carried at fair value, based on the invoiced or expected invoice amounts.

1.16 Third-party assets

The House of Lords Security Fund Account holds monies lodged as security on civil appeals to the House of Lords. The monies in the account are always repaid to one of the parties to the appeal, the House of Lords receiving no benefit. These are categorised as Third Party Assets and the information relating to the House of Lords Security Fund Account is contained in note 25. The Fund has not been included in the list of assets and liabilities on the balance sheet. The House of Lords Refreshment Department receives and pays gratuities on behalf of its staff; for 2008-09 the amount paid was £327,000 (2007-08 – £341,000). The balance held at the end of the financial year was £66,889.

1.17 Contingent Liabilities

Potential contingent liabilities are reviewed each year and disclosed in a note to the accounts (see note 22). In addition to contingent liabilities disclosed in accordance with FRS 12, 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, but which have been reported to Parliament in accordance with the requirements of Government Accounting. Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated in the amounts reported to Parliament.

1.18 Value Added Tax

Most of the activities of the House of Lords are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Notes to the Resource Accounts - continued

2. Analysis of net resource outturn by section

						Outturn	2008-09	2007-08
	Admin	Other current	Grants	Gross resource Expenditure	A in A	Net Total	£000 Estimate	£000
Request for resources 1: Members' expenses and administration, etc.							Net Total	Prior-year outturn
Administration	-	66,708	1,465	68,173	(6,343)	61,830	66,002 (4,172)	58,446
Works Services	-	41,791	-	41,791	(1,210)	40,581	44,296 (3,715)	39,052
Administration (AME)	-	1,507	-	1,507	-	1,507	2,120 (613)	24,002
Total	-	110,006	1,465	111,471	(7,553)	103,918	112,418 (8,500)	121,500

Detailed explanations of the variances are given in the Management Commentary.

3. Reconciliation of net resource outturn to net operating cost

		2008-09		2007-08
		£000		£000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate
Net Resource Outturn	2	103,918	112,418	(8,500)
Non-supply income (CFERs)	5	-	-	-
Net operating cost		103,918	112,418	(8,500)

4. Reconciliation of resources to cash requirement

		Estimate	Outturn	Net total outturn compared with estimate: saving/(excess)
	Note	£000	£000	£000
Resource Outturn	2	112,418	103,918	8,500
Capital				
Acquisition of fixed assets	9,10	9,825	2,622	7,203
Non operating A in A				
Proceeds of fixed asset disposals		-	-	-
Accruals adjustments				
Non-cash items	7	(40,379)	(29,513)	(10,866)
Changes in working capital other than cash	17a	1,706	(66)	1,772
Use of provision	14	3,150	(1,949)	5,099
Adjustment to net cash requirement		-	-	-
Net cash requirement		86,720	75,012	11,708

Notes to the Resource Accounts - continued**5. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund**

	2008-09	2007-08
Note	£000	£000
Operating Income	8	7,553
Income authorised to be appropriated-in-aid	(7,553)	(6,117)
Operating income payable to the Consolidated Fund	-	-

6. Staff numbers and related costs

Staff costs comprise:

	2008-09	2007-08
	£000	£000
Wages and salaries	16,849	15,795
Social security costs	1,308	1,368
Other pension costs	5,101	4,456
Sub Total	23,258	21,619
Less recoveries in respect of outward secondments	(294)	(643)
Total net costs	22,964	20,976

The House of Lords Staff Pension Scheme (HOLSPS) is an unfunded defined benefit scheme which is operated 'by analogy' with the Principal Civil Service Pension Scheme. The House of Lords meets the costs of all benefits. A provision to meet the liability is included on the balance sheet. The HOLSPS is a 'by analogy' scheme, the Government Actuary's Department has devised a model to assist organisations with small 'by analogy' to the PCSPS schemes to value their liabilities. The amount in the financial statements has been calculated using this valuation method. The date of valuation is 31st March 2009.

For 2008-09, employers' contributions of £2,624,539 were accrued at rates in the range 17.1-25.5% of pensionable pay, based on salary bands. The rates are reviewed every four years by the Government Actuary and advised by HM Treasury. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred.

Employees joining after 1st October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £31,979 were paid to one or more of a panel of appointed stakeholder pension providers. Employer contributions are age-related and range from 3-12.5% of pensionable pay. Contributions due to the partnership pension providers at the balance sheet date were £181. Contributions prepaid at that date were nil.

The above amounts are only in respect of staff of the House of Lords. Other pension costs includes some costs of administering the House of Lords Staff Pension Scheme. By agreement between the House of Commons and the House of Lords, the whole of the pension provision for certain staff within shared services falls on the House by whom staff are formally employed, regardless of whether salary costs are shared.

Average number of persons employed

The average number of whole-time equivalent (WTE) persons (including senior management) employed during the year was as follows:

	2008-09	2007-08
House of Lords Administration	450	446

The above excludes certain shared services staff, whose salary costs are met in part by the House of Lords.

Notes to the Resource Accounts - continued**7. Expenditure**

	Note	2008-09 £000	2007-08 restated £000
Rentals under operating leases		2,183	1,299
Non-cash items			
Depreciation	9	7,995	7,680
Amortisation	10	319	354
Loss on disposal of fixed assets		5	47
Loss on revaluation of fixed assets		110	23,170
Cost of Capital Charges		16,704	16,740
Auditors' remuneration and expenses		103	95
Interest cost on provisions	14	4,277	3,644
<i>Total non-cash items</i>		<i>29,513</i>	<i>51,730</i>
Members' Expenses		18,988	18,399
Security		9,774	9,427
Estates & Works expenditure		12,877	12,680
Printing and publications		4,040	3,820
IT costs		2,768	2,185
Other expenditure		8,364	7,101
Total		88,507	106,641

The auditor' remuneration is made up of £95,000 for the 2008-09 Resource Account audit, plus £8,000 for review work in relation to the preparation of transferring the Resource Accounts to International Accounting Standards.

Other expenditure includes grants, as detailed in note 1.14 of £1,465,000 (2007-08 £330,000).

Further information on Members' Expenses is available at www.parliament.uk

Other expenditure for 2007-08 has been restated due to the revision of disclosure of expenditure headings. Certain spend from other expenditure has been re-analysed as printing and publications, and IT costs.

8. Income

	2008-09 £000	2007-08 £000
Refreshment Department sales	4,107	3,786
Pension contributions and transfers in	1,680	598
Judicial fees and taxation	516	474
Fees, charges and rental income	1,250	1,259
	7,553	6,117

The amount applied as appropriations in aid totalled £7,552,586.

Notes to the Resource Accounts - *continued*

9. Tangible fixed assets

	Land & Buildings	Fixtures & Fittings	Information Technology	Plant & Machinery	Heritage Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 st April 2008	979,650	1,477	7,539	1,734	9,656	58	1,000,114
Additions	812	79	691	-	25	997	2,604
Disposals	-	-	(720)	-	-	-	(720)
Reclassifications	-	-	58	-	-	(58)	-
Revaluations	58,491	-	-	-	-	-	58,491
At 31st March 2009	1,038,953	1,556	7,568	1,734	9,681	997	1,060,489
Depreciation							
At 1 st April 2008	432,541	796	4,826	7	-	-	438,170
Charged in year	6,854	130	922	89	-	-	7,995
Disposals	-	-	(715)	-	-	-	(715)
Reclassifications	-	-	-	-	-	-	-
Revaluations	29,282	-	5	-	-	-	29,287
At 31st March 2009	468,677	926	5,038	96	-	-	474,737
Net book value at 31st March 2009	570,276	630	2,530	1,638	9,681	997	585,752
Net book value at 31 st March 2008	547,109	681	2,713	1,727	9,656	58	561,944

Analysis of Land and Buildings

	Land		Buildings			Total
	Freehold	Long Leasehold	Freehold	Long Leasehold	Dwellings	
	£000	£000	£000	£000	£000	
Cost or valuation						
At 1 st April 2008	65,320	26,080	843,051	42,410	2,789	979,650
Additions	-	-	812	-	-	812
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluations	3,729	163	54,322	259	18	58,491
At 31st March 2009	69,049	26,243	898,185	42,669	2,807	1,038,953
Depreciation						
At 1 st April 2008	-	-	429,891	2,611	39	432,541
Charged in year	-	-	5,148	1,627	79	6,854
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluations	-	-	29,220	60	2	29,282
At 31st March 2009	-	-	464,259	4,298	120	468,677
Net book value at 31st March 2009	69,049	26,243	433,926	38,371	2,687	570,276
Net book value at 31 st March 2008	65,320	26,080	413,160	39,799	2,750	547,109

Notes to the Resource Accounts - continued

Land and buildings

The Parliamentary Estate was re-valued during 2007-08 by the Valuation Office Agency on the basis of Depreciated Replacement Cost. The valuation date was 31st March 2008. The total value of the Palace as at 31st March 2009 was £1,239,818,000 (House of Lords share £495,927,000). The remainder of the Parliamentary Estate was re-valued using Existing Life Use.

Fixtures and Fittings

Fixtures & Fittings comprises all office and light equipment, including that of the Refreshment Department.

Plant and Machinery

The clock mechanism, popularly known as 'Big Ben', was last valued as at 31st March 2006. The total value was £3,234,000 (House of Lords share £1,293,000).

Works of Art

Works of Art acquired prior to 1st April 2000 are not included on the balance sheet. The collection held by Parliament, either solely or jointly with the House of Commons, prior to 1st April 2000 can be classified as;

<i>Purchased Works of Art numbering:</i>		<i>And Donated works of art numbering:</i>	
Paintings and Prints	4,796	Paintings and Prints	1,534
Busts	170	Busts and Statues	49
Medieval Statuary	6	Murals and mosaics	17
Murals and mosaics	122	Tapestries	1
Tapestries	9		

Additions purchased since 1st April 2000 are capitalised and included in Heritage Assets. The value of Works of Art as at 31st March 2009 was £403,492. Details of the Works of Art Collection Fund are in note 27.

10. Intangible fixed assets

The House's intangible fixed assets comprise purchased software licences and other software.

	2008-09	2007-08
	£000	£000
Cost or valuation		
At 1 st April	2,227	2,151
Additions	18	76
Reclassifications	-	-
Disposals	-	-
Revaluation	-	-
At 31st March	2,245	2,227
Amortisation		
At 1 st April	1,592	1,238
Charged in year	319	354
Disposals	-	-
Revaluation	-	-
At 31st March	1,911	1,592
Net book value at 31st March	334	635

Notes to the Resource Accounts - continued**11. Debtors**

	2008-09	2007-08
	£000	£000
Amounts falling due within one year:		
Trade debtors	787	581
Deposits and advances	134	75
Prepayments and accrued income	229	309
	1,150	965

12. Cash at bank and in hand

	2008-09	2007-08
	£000	£000
Balance at 1 April	479	1,310
Net change in cash balances	213	(831)
Balance at 31 March	692	479

The following balances at 31 March were held at:

Office of HM Paymaster General	177	93
Commercial banks and cash in hand	515	386
Balance at 31 March	692	479

13. Creditors

	2008-09	2007-08
	£000	£000
Amounts falling due within one year		
Trade creditors	935	701
Other creditors	1,833	1,665
VAT	(8)	(9)
Accruals and deferred income	1,325	1,486
Amounts issued from the Consolidated Fund for supply but not spent at year end	692	479
	4,777	4,322

Notes to the Resource Accounts - continued

14. Provisions for liabilities and charges: pension liability

The House of Lords Staff Pension Scheme is an unfunded defined benefit scheme 'by analogy' to the Principal Civil Service Pension Scheme. A full valuation was carried out at 31 March 2009 by the Government Actuary's Department in accordance with the Financial Reporting Manual (FRM). The major assumptions used by the Actuary were:

	31 st March 2009	31 st March 2008
Financial assumptions	%	%
The inflation assumption	2.75	2.75
The rate of increase in salaries	4.30	4.30
The rate of increase for pensions in payment and deferred pensions	2.75	2.75
The rate used to discount scheme liabilities	6.04	5.30

Analysis of movement in scheme liability

	2008-09	2007-08
	£000	£000
Value of liabilities at 1 st April	79,424	78,535
Current service cost	3,517	4,245
Past service cost	-	-
Interest on scheme liability	4,277	3,644
Enhancements	-	-
Pension transfers in	1,175	111
Benefits payable	(2,561)	(2,706)
Pension payments to and on account of leavers	(182)	(276)
Actuarial (gain)/loss	(6,516)	(4,129)
Balance at 31st March	79,134	79,424

Analysis of benefits paid

	2008-09	2007-08
	£000	£000
Pensions to retired employees and dependants	2,194	2,012
Commutations and lump sum benefits on retirement	367	694
	2,561	2,706

Analysis of payments to and on account of leavers

	2008-09	2007-08
	£000	£000
Refunds to members leaving service	-	-
Group transfers to other schemes	-	-
Individual transfers to other schemes	182	276
	182	276

Analysis of actuarial (gain)/loss

	2008-09	2007-08
	£000	£000
Experience (gains)/losses arising on scheme liabilities	787	1,062
Changes in assumptions underlying the present value of the scheme liabilities	(7,303)	(5,191)
	(6,516)	(4,129)

History of (gains) and losses

	2008-09	2007-08	2006-07	2005-06	2004-05
	£000	£000	£000	£000	£000
Experience (gains)/losses on liabilities					
Amount	787	1,062	104	(69)	68
Percentage of the present value of the scheme liabilities	1.0%	1.3%	0.1%	(0.1)%	0.1%
Total amount recognised					
Amount	(6,516)	(4,129)	13,079	230	548
Percentage of the present value of the scheme liabilities	(8.2)%	(5.2)%	16.7%	0.4%	1.1%

Notes to the Resource Accounts - continued

15. General Fund

The General Fund represents the total assets less liabilities of the House, to the extent that the total is not represented by other reserves and financing items.

	2008-09	2007-08
	£000	£000
Balance at 1 April	247,405	249,176
Net Parliamentary Funding		
Drawn Down	75,225	98,991
Deemed	479	236
Year end adjustment		
Supply Creditor – current year	(692)	(479)
Net Transfer from Operating Activities		
Net Operating Cost (Schedule 2)	(103,918)	(121,500)
Non Cash Charges		
Cost of Capital	16,704	16,740
Auditors' remuneration	103	95
Transfer from Revaluation Reserve	2,239	17
Pension scheme adjustments	6,516	4,129
Balance at 31 March	244,061	247,405

16. Reserves

16(a) Revaluation Reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	2008-09	2007-08
	£000	£000
Balance at 1 April	232,854	226,390
Arising on revaluation during the year (net)	29,314	6,481
Transferred to general fund in respect of realised element of revaluation reserve	(2,239)	(17)
Balance at 31 March	259,929	232,854

16(b) Donated Asset Reserve

The donated asset reserve reflects the net book value of assets donated to the House of Lords

	2008-09	2007-08
	£000	£000
Balance at 1 April	217	217
Additions during the year	-	-
Balance at 31 March	217	217

Notes to the Resource Accounts - continued**17. Notes to the Cash Flow Statement****17(a) Reconciliation of operating cost to operating cash flows**

	2008-09	2007-08
Note	£000	£000
Net operating cost	(103,918)	(121,500)
Adjustments for non-cash transactions	7 29,513	51,730
Decrease in Stock	9	15
(Increase)/Decrease in Debtors	11 (185)	503
Increase in Creditors	13 242	182
Use of provisions	14 1,949	1,374
Net cash outflow from operating activities	(72,390)	(67,696)

17(b) Analysis of capital expenditure and financial investment

	2008-09	2007-08
Note	£000	£000
Tangible fixed asset additions	9 (2,604)	(30,976)
Intangible fixed asset additions	10 (18)	(76)
Proceeds of disposal of fixed assets	-	-
Net cash outflow from investing activities	(2,622)	(31,052)

17(c) Analysis of financing

	2008-09	2007-08
	£000	£000
From the Consolidated Fund (Supply) – current year	75,225	98,991
From the Consolidated Fund (Supply) – prior year	-	-
Net financing	75,225	98,991

17(d) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	2008-09	2007-08
	£000	£000
Net cash requirement	(75,012)	(98,748)
From the Consolidated Fund (Supply) – current year	75,225	98,991
From the Consolidated Fund Supply – prior year	-	(1,074)
Amounts due to the Consolidated Fund received and not paid	-	-
Increase/(Decrease) in cash	213	(831)

Notes to the Resource Accounts - continued

18. Note to the Statement of Operating Costs by Aim and Core Tasks

The House of Lords capital is employed exclusively for House of Lords Administration purposes.

19. Capital commitments

	2008-09	2007-08
	£000	£000
Contracted capital commitments at 31 March for which no provision has been made:	2,441	2,852

20. Commitments under leases

Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2008-09	2007-08
	£000	£000
Obligations under operating leases comprise:		
Land and buildings:		
Expiry within 1 year	-	-
Expiry after 1 year but not more than 5 years	119	112
Expiry thereafter	2,139	506
	2,258	618
Other:		
Expiry within one year	12	4
Expiry after 1 year but not more than 5 years	28	47
Expiry thereafter	-	-
	40	51

Finance Leases

The House of Lords holds properties on finance leases for which the annual commitment is £1.

21. Financial Instruments

Because of the largely non-trading nature of its activities and the way in which Parliament is financed, financial instruments play a more limited role in creating risk than would apply to a business entity of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the House of Lords' expected purchase and usage requirements and the House of Lords is therefore exposed to little credit, liquidity or market risk.

Liquidity Risk

The House of Lords is financed by supply voted annually by Parliament for the House of Lords Members' expenses and administration etc. expenditure. As such it is not exposed to significant liquidity risks.

Notes to the Resource Accounts - continued

Interest rate risk

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

Foreign currency risk

Foreign currency would not normally form part of the House of Lords' assets and liabilities, and as such it is not exposed to any significant foreign currency risks.

Fair Value

Fair value is not significantly different from book value since, in the calculation of the book value, the appropriate discount rate has been applied.

Financial assets and liabilities by category

	2008-09		2007-08	
	Loans and receivables £000	Other financial liabilities £000	Loans and receivables £000	Other financial liabilities £000
Assets				
Trade and other debtors	921	-	656	-
Cash and cash equivalents	692	-	479	-
Liabilities				
Trade and other creditors	-	4,085	-	3,843

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

The House has entered into quantifiable contingent liabilities, relating to Works of Art on loan to the House of Lords, by offering guarantees, indemnities or by giving letters of comfort. These totalled £2,221,000 as at 31st March 2009 (31st March 2008 – £2,221,000). None of these are contingent liabilities within the meaning of FRS 12 since the likelihood of a transfer of economic benefit in settlement is too remote.

23. Losses and Special Payments

No exceptional kinds of expenditure such as losses and special payments, that require separate disclosure because of their nature or amount, have been incurred (2007-08 – nil).

24. Related-party transactions

The House of Lords and the House of Commons share some buildings and services. These include the Palace of Westminster, the Parliamentary Estates Directorate, the Parliamentary Archives and the Parliamentary ICT Service.

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 Resource Accounts. The percentage for each House for the key areas is as follows:

Service	House of Lords	House of Commons
Estates and Works services	40%	60%
Information and communications technology services	20%	80%
Parliamentary archives	60%	40%
Visitor Tours	30%	70%
Broadcasting services	40%	60%

Notes to the Resource Accounts - continued

The House of Commons incurred expenditure of £23,778,000 on behalf of the House of Lords during 2008-09. The balance relating to accommodation, works and other shared services owed by the House of Lords to the House of Commons was £722,000.

The House of Lords incurred expenditure of £421,000 on behalf of the House of Commons during 2008-09. The balance owed to the House of Lords by the House of Commons was £15,000.

25. The House of Lords Security Fund Account

In all civil cases where an Appeal lies to the House of Lords under the provisions of the Appellate Jurisdiction Act 1876, Appellants must provide security for the costs of such Appeals. The House of Lords Security Fund Account records the receipt, payment and disposition of the lodgements for each financial year. The sum to be lodged by the Appellants is authorised from time to time by the House Committee. The most recent revision was in October 2000 when it was increased from £18,000 to £25,000. No other receipts and payments are entered on the account; no interest is paid on the lodgements, nor are any fees deducted. Security Fund monies are payable to the relevant party, usually on issue of the Final Judgement or Taxation of the Bill of Costs.

	2008-09	2007-08
	£000	£000
Opening balance of Fund at 1 st April	1,652	1,720
Add: receipts – Lodgements by Appellants	535	500
Less: repayments to Appellants/Respondents	(938)	(568)
Closing balance of Fund at 31st March	1,249	1,652

The closing balance of £1,249,000 was made up of 2 Deposits of £10,000, 3 Deposits of £18,000 and 47 Deposits of £25,000.

26. House of Lords Refreshment Department Trading Activities

The House of Lords Refreshment Department provides a wide range of catering facilities to Members and House of Lords' staff. Members may sponsor private functions, and this type of service accounted for 54.3% of sales in 2008-09.

The Refreshment Department operates under a policy first agreed between the House of Lords and HM Treasury in 1981. In accordance with this policy, the department is required to trade on the basis of 50% gross profit on all turnover. Sales of confectionery and goods to be consumed or used outside the department, together with the cost of services at functions, are excluded from the turnover figure against which gross profit is measured for the purpose of this target.

Total trading sales for 2008-09 amounted to £4,090,839. Gross profit on sales calculated according to the formula above was 73.6% and gross profit on all sales was £2,418,607.

Further performance targets for trading in individual outlets of the department have been agreed, and are reviewed annually, by the Refreshment Committee.

Notes to the Resource Accounts - continued

27. The House of Lords Works of Art Collection Fund

The Works of Art Collection Fund was established for the purpose of acquiring works of art for the House of Lords. Prior to 1st April 1992, it was funded by grant from the Department of the Environment. For the financial years 1992-93 and 1993-94, provision was made to meet expenditure from the House of Lords Works Services Vote. With effect from 1994-95 an annual grant is made to the Works of Art Collection Fund. The annual grant was increased to £50,000 in April 2004 and unspent balances of up to a maximum of £150,000 may be carried forward. The Fund is regulated by a scheme of delegation agreed by the Works of Art Committee in October 2003.

	<u>2008-09</u>	<u>2007-08</u>
	£000	£000
Opening balance of Fund at 1 st April	83	59
Add receipts:		
Grant from RfR	50	50
Net interest received	-	-
	<u>133</u>	<u>109</u>
Less: Purchases during the year (see below)	<u>36</u>	<u>26</u>
Closing Balance of Fund as at 31 st March	<u>97</u>	<u>83</u>

Purchases during the year (which are included within additions in fixed assets note 9):

Description	£
Study of Susannah for Mural of "The Judgement of Daniel" <i>Oil on canvas by John Rogers Herbert</i>	3,617
Lying in State of King George VI <i>Drawing by Bryan De Grinneau</i>	500
Louvain Town Hall, Belgium <i>Watercolour by Thomas Shotter Boys</i>	9,013
Portrait of Peter King, 1 st Baron King <i>Oil on canvas, attributed to John Vanderbank</i>	2,222
View of the Thames to Westminster Hall <i>Pen and ink drawing, English School, 17th Century</i>	590
Portrait commission of Lord Bingham of Cornhill	10,000
Portrait commission of Lord Strathclyde	10,000
Total	35,942

28. Post Balance Sheet Event

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

Some Members have voluntarily repaid expenses, some of which relate to a number of financial years. The amounts were received after 31 March 2009.

Remuneration Report 2008-09

The Clerk of the Parliaments, Michael Pownall, is head of the permanent staff of the House of Lords. He is the Accounting Officer and, under the Parliamentary Corporate Bodies Act 1992, he is also the Corporate Officer of the House of Lords.

The Clerk of the Parliaments is supported by a Management Board, which he chairs. The membership of the Management Board is designed to reflect the wide range of services provided to the House and its Members. In 2008-09 its members were as follows:

- David Beamish - Clerk Assistant and Clerk of Legislation
- Rhodri Walters - Reading Clerk
- Lieutenant-General Sir Michael Willcocks, KCB - Gentleman Usher of the Black Rod and Serjeant-at-Arms
- Philippa Tudor - Finance Director
- Simon Burton - Director of Human Resources
- Elizabeth Hallam Smith - Director of Information Services and Librarian
- Carl Woodall – Director of Facilities
- Joan Miller – Director of Parliamentary Information Communications and Technology

The Clerk of the Parliaments is appointed by the Crown and can be removed from office only by the Sovereign upon an address of the House of Lords for that purpose. The Clerk Assistant and the Reading Clerk are appointed by the Lord Speaker, subject to the approval of the House, and can be removed from office only by order of the House. The Gentleman Usher of the Black Rod is appointed formally by the Crown following a recruitment exercise conducted by the Clerk of the Parliaments. Black Rod also holds the office of Serjeant-at-Arms. All other staff are appointed and removable by the Clerk of the Parliaments as Corporate Officer of the House of Lords.

Remuneration policy

The salary of the Clerk of the Parliaments is linked to Judicial Salary Group 4. Pay for the Management Board members is in line with the pay bands used in the Senior Civil Service, and pay awards are performance-related. Pay awards are determined annually by reference to the Senior Salaries Review Body recommendations for the Senior Civil Service.

Salary and pension entitlements

The salary and benefits in kind of the Management Board were as follows:

	2008-09		2007-08	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Michael Pownall <i>Clerk of the Parliament</i>	165-170	-	135-140	-
David Beamish <i>Clerk Assistant</i>	110-115	-	105-110	-
Rhodri Walters <i>Reading Clerk</i>	110-115	-	105-110	-
Lieutenant-General Sir Michael Willcocks, KCB <i>Gentleman Usher of the Black Rod</i>	95-100	see below	90-95	see below
Simon Burton <i>Director of Human Resources</i>	80-85	-	30-35 (75-80 full year equivalent)	-
Philippa Tudor <i>Finance Director</i>	95-100	-	90-95	-
Elizabeth Hallam Smith <i>Director of Information Services and Librarian</i>	110-115	-	95-100	-
Carl Woodall <i>Director of Facilities (from 18th March 2009)</i>	0-5 (90-95 full year equivalent)	-	-	-
Joan Miller <i>Director of Information Communications and Technology (from 1st April 2008)</i>	105-110	-	-	-

Remuneration Report 2008-09 - continued

a. Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. The report is based on payments made by the House and thus recorded in these accounts.

b. Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as taxable emolument. Black Rod occupies a Parliamentary Residence and for 2008-09 the taxable benefit for the residence was £5,054 (2007-08 - £4,913).

c. Director of Parliamentary Information Communications and Technology

The salary and pension benefits for the Director of Parliamentary Information Communications and Technology are paid directly by the House of Commons and recharged to the House of Lords at a rate of 20%. The salary and pension benefits disclosed represents the total remuneration package paid between the two Houses.

Pensions

The pension benefits of the Management Board were as follows:

	Accrued pension and related lump sum at 31/3/09 £000	Real increase in pension and related lump sum at 31/3/09 £000	CETV at 31/3/09 £000	CETV at 31/3/08 £000	Real increase in CETV £000
Michael Pownall <i>Clerk of the Parliament</i>	80-85 <i>Plus lump sum of 235-240</i>	12.5-15 <i>Plus lump sum of 40-42.5</i>	1,905	1,468	316
David Beamish <i>Clerk Assistant</i>	45-50 <i>Plus lump sum of 145-150</i>	2.5-5 <i>Plus lump sum of 7.5-10</i>	1,051	911	56
Lieutenant-General Sir Michael Willcocks, KCB <i>Gentleman Usher of the Black Rod</i>	5-10 <i>Plus lump sum of 25-30</i>	0-2.5 <i>Plus lump sum of 2.5-5</i>	192	167	19
Rhodri Walters <i>Reading Clerk</i>	45-50 <i>Plus lump sum of 145-150</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	1,155	1,060	(2)
Philippa Tudor <i>Finance Director</i>	25-30 <i>Plus lump sum of 85-90</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	531	480	7
Elizabeth Hallam Smith <i>Director of Information Services and Librarian</i>	35-40 <i>Plus lump sum of 110-115</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	845	772	8
Simon Burton <i>Director of Human Resources</i>	30-35 <i>Plus lump sum of 90-95</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	454	416	0
Carl Woodall <i>Director of Facilities (from 18th March 2009)</i>	0-5 <i>Plus lump sum of 0-5</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	1	-	1
Joan Miller <i>Director of Information Communications and Technology (from 1st April 2008)</i>	5-10 <i>Plus lump sum of n/a</i>	0-2.5 <i>Plus lump sum of n/a</i>	118	73	34

Remuneration Report 2008-09 - continued

Pension benefits are provided through the House of Lords Staff Pension Scheme (HOLSPS). From 30 July 2007, staff may be in one of four defined benefit schemes; either a final salary scheme (**classic, premium or classic plus**); or a 'whole career' scheme (**nuvos**). The statutory schemes are unfunded with the costs of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. 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' 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 in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated 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 RPI. In all cases members may opt to give up (commute) pension for 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 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three 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 0.8% 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** and 65 for members of **nuvos**.

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 individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated in accordance with the Occupational Pension Scheme (Transfer Values) (Amendment) Regulations 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 effectively funded by the employer. It takes account of 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.

Michael Pownall
Clerk of the Parliaments and Accounting Officer

17th July 2009