



HOUSE OF LORDS

Resource Accounts 2010/11

(For the year ended 31st March 2011)

London: The Stationery Office Limited

£10.00

HL Paper 185

Ordered to be printed 18 July 2011

Contents

	Page
Foreword to the Resource Accounts	3
Statement of Accounting Officer's Responsibilities	8
Statement on Internal Control	9
Certificate and Report of the Comptroller and Auditor General	13
The Accounting Schedules:	
Statement of Parliamentary Supply	15
Statement of Comprehensive Net Expenditure	16
Statement of Financial Position	17
Statement of Cash Flows	18
Statement of Changes in Taxpayers' Equity	19
Notes to the Accounts	20
Remuneration Report	46

Foreword to the Accounts

Scope

The House of Lords Administration presents the accounts of the House of Lords for the financial year ended 31 March 2011. The Resource Accounts contain the financial statements relating to the House of Lords Members' expenses and administration etc. Request for Resources, which includes catering, estates and works services expenditure. Information is also included, by way of notes, on the House of Lords Works of Art Collection Fund, the House of Lords Catering and Retail Services trading activities and the House of Lords Security Fund.

Aims and Objectives

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

The objectives of the House of Lords Administration in 2010-11 have been:

- to provide the House and its committees with the advice and services they need for the effective conduct of business;
- to provide individual Members of the House with the advice and services they need for the effective performance of their parliamentary duties (regardless of party or office);
- to make the House and its work accessible to the public; and
- to maintain the House's buildings and collections, having regard to the heritage they represent.

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. As a constituent part of Parliament, the House of Lords makes laws, holds government to account, and debates issues of public interest. It plays an important part in revising legislation and scrutinising Government policy.

Management Commentary

a. Significant events during the year

The 2010 General Election

The General Election held on 6 May 2010 led to the creation of a new government, a coalition between the Conservative Party and the Liberal Democrats. As a result there were ministerial changes in the House of Lords and Lord Strathclyde became Leader of the House. Since the General Election 117 new Life Peers have been created and by April 2011 there were 831 Members of the House of Lords.

Financial Support for Members of the House of Lords.

On 10 March 2010 the House Committee made the report *Financial Support for Members of the House: Declaration of Principal Residence and Publication* (HL Paper 89). This was discussed and agreed by the House on 22 March 2010 and from the start of the new Parliament (on 18 May 2010), all Members seeking to claim night subsistence had to sign a declaration stating the location of their principal residence and provide copies of documents to verify that their principal residence was outside Greater London. It was also agreed that information about Members' expenses from the start of the 2010-11 financial year would be published quarterly.

As detailed in last year's foreword, during 2009-10 the Review Body on Senior Salaries (SSRB) was commissioned to carry out a review of the financial support for Members of the House of Lords. Their report, *Report no. 71 – Review of financial support for Members of the House of Lords* (Cm 7746), was published on 26 November 2009 and on 15 December 2009 the House Committee appointed an ad hoc group "to consider and consult on issues in the report and to advise on their implementation". The report of the ad hoc group, *Financial Support for Members of the House of Lords* (HL Paper 13), was published on 28 June 2010 and recommended a system based on a flat rate daily allowance.

On 13 July 2010 the House Committee made its first report of the 2010-12 session, *Financial Support for Members of the House of Lords* (HL Paper 18). It proposed that the system of day subsistence, night subsistence and office costs be combined into a single flat rate of £300, to which Members were entitled on the basis of attendance. Members could elect to claim a reduced rate of £150 or not to claim at all. The report was debated and agreed by the House on 20 July 2010, alongside a new set of resolutions which introduced the new system of financial support to Members from 1 October 2010. The above reports and *The Guide to Financial Support to Members* are all available via the Parliamentary website.

Code of Conduct for Members

A new Code of Conduct for Members, which sets out rules on Members' financial support, interests and employment, was adopted by the House with effect from the start of the new Parliament on 18 May 2010. The position of the independent Lords Commissioner for Standards, who will investigate alleged breaches of the code, is enshrined in the Lords Code of Conduct, and Paul Kernaghan CBE QPM, former Chief Constable of Hampshire, was appointed as the Lords' first Commissioner for Standards on 2 June 2010.

Works and Accommodation

The refurbishment of the Millbank Island site continued during 2010-11. Members and staff who occupied the building have been decanted to 14 Tothill Street for the period of the renovation and the House of Lords will reoccupy the building in autumn 2011.

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

On 17 May 2011 the Government published the *House of Lords Reform Draft Bill* (Cm 8077) proposing a reformed House of Lords of 300 members. The draft Bill provides for 240 elected and 60 appointed members, as well as 12 Bishops sitting as ex-officio members. The draft Bill proposes no changes to the functions or powers of a reformed House of Lords. Members would receive a salary and serve for a single non-renewable term of three normal election cycles, likely to be 15 years.

During 2010-11 a Working Group was established by the Leader of the House of Lords to consider the working practices of the House and the operation of self-regulation and to make recommendations. The Report of the Group was published on 26 April 2011 (HL Paper 136) and made 55 recommendations across a variety of working practices in the House of Lords. The House of Lords debated the report on 27 June 2011.

c. House of Lords Annual Report and Business Plan

Further details on the activities of the House of Lords in 2010-11 are contained in the *Annual Report 2010/11* and in the booklet *The Work of the House of Lords*. Additionally, the *House of Lords Business Plan 2011/12* (HL Paper 132) was published on 5 April 2011 setting out the Administration's Strategic Plan for 2011-15 and the business and spending plans. The Annual Report and the Business Plan are published on behalf of the House of Lords by The Stationery Office and are available from bookshops and via the Parliamentary website.

d. Operating and Financial Review

The 2010-11 Resource Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and the accounting policies set out in Note 1. Note 2 of the accounts details the impact of changes in accounting policy since the 2009-10 Resource Accounts; these are the removal of the cost of capital charge, and the adjustments relating to the re-capitalisation of the land element of property held on long operating leases.

The House of Lords Administration's outturn on net total resources for 2010-11 was £77.4m which was £24.6m lower than the Estimate.

The 2010-11 Resource Accounts contain two technical accounting adjustments;

- In the Budget on 22 June 2010 it was announced that the Government intended to adopt the Consumer Price Index rather than the Retail Price Index for the indexation of public service pensions from April 2011. The House of Lords Staff Pension Scheme is a 'by-analogy' scheme to the Principal Civil Service Pension Scheme and, in line with the wider public sector, has accounted for this adjustment as a 'past service saving'. The impact of this is a £10.9m credit to net operating cost.
- Following the annual revaluation of the Parliamentary Estate the House of Lords had a gain on revaluation of £1.9m to be credited to net operating cost.

Disregarding these two technical adjustments the net resource outturn for the House of Lords was £90.2m, £11.8m lower than the Estimate.

The main explanations for this variation against the Estimate are:

- The House of Lords savings exercise resulted in savings of £6.9m.
- The impact of the general election on the working of the House in 2010-11 resulted in spend on printing and publications being under budget by £0.6m, travel under budget by £0.2m and financial assistance to opposition parties under budget £0.2m.
- Spend on IT related projects and Parliamentary ICT (PICT) services was underspent by £1.8m primarily through project budgets not being required and savings recognised in PICT expenditure.
- Efficiency savings of £0.9m were made in relation to the Metropolitan Police security contract.
- Lower than anticipated operational spend in other areas of the Administration led to a net underspend of £0.6m.

- The delayed start of the Off Site Consolidation Centre resulted in an underspend of £0.4m.
- Grants were negotiated downwards by £0.2m as part of the savings review.

e. Management

Members of the House of Lords (except ministers and certain office holders) do not receive a salary. They are entitled to certain allowances and to recover travel and certain other expenses incurred in connection with their parliamentary duties.

Three Members – the Lord Speaker, the Chairman of Committees and the Principal Deputy Chairman of Committees – are eligible for a salary paid from House of Lords' funds. As at 31 March 2011 the annual salaries were as follows:

Lord Speaker	£101,038
Chairman of Committees (including £1,667 London Supplement)	£86,191
Principal Deputy Chairman of Committees (including £1,667 London Supplement)	£80,743

The Accounting Officer and, in accordance with the Parliamentary Corporate Bodies Act 1992, the Corporate Officer of the House of Lords is the Clerk of the Parliaments. The Clerk of the Parliaments is appointed by Her Majesty the Queen by Letters Patent and is ex-officio the Accounting Officer. The Clerk of Parliaments for 2010-11 was Sir Michael Pownall, who retired on 15 April 2011. David Beamish was appointed Clerk of the Parliaments from 16 April 2011.

Details of the remuneration of the Management Board of the House of Lords are contained in the Remuneration Report (see page 46).

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 Statement of Financial Position includes a provision against which future pension benefits will be charged when paid. The annual accruing cost of benefits is charged to the Statement of Comprehensive Net Expenditure (see notes 1.12 and 19.1).

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 Estates and Works Services and some other shared services are made in the first instance by the House of Commons.

The calculation of payment performance for 2010-11 has been based on continuous monitoring of payments throughout the year and 97.8% (2009-10 97.3%) of payments made by the House of Lords met the policy criteria.

Staff Issues

The Clerk of the Parliaments attaches importance to effective consultation and involvement of staff. Certain trade union organisations 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 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 2010-11 was £85,000 (2009-10 – £100,000). No further assurance or advisory services were provided by the auditors.

So far as I am aware, there is no relevant audit information of which the National Audit Office (NAO) are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the NAO are aware of the information.

David Beamish

Clerk of the Parliaments and Accounting Officer

14 July 2011

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 Resource Accounts to the Clerk of the Parliaments, who is appointed by Her Majesty the Queen 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, its comprehensive net expenditure, changes in taxpayers' equity, 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 seeks 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 House of Lords' 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 HM 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*.

In contrast to the Permanent Secretary of a Government department, I do not serve ministers but the House of Lords as a whole. In practice I account for what I do as Accounting Officer mainly through the House Committee (appointed by the House) and the Audit Committee which it appoints.

This Statement on Internal Control relates to a period when I was not the Accounting Officer. My predecessor, Sir Michael Pownall, retired on 15 April 2011. I was his deputy throughout the financial year 2010-11, and therefore consider I have sufficient knowledge, and had sufficient involvement, to take responsibility for this statement.

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 2011 and up to the date of approval of the annual report and accounts, and accords, as far as is practicable, with HM Treasury guidance.

Capacity to Handle 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 oversight by the Audit Committee.

Each corporate risk 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 for reporting relevant risk information to the Management Board.

The Secretary to the Management Board is responsible for maintenance of the House of Lords corporate risk register. This is updated monthly using input provided by corporate risk owners and is considered at every meeting of the Management Board.

The Risk and Control Framework

Risk Management

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 the development of risk management policy and for implementing appropriate and effective strategies for the management of all corporate risks. The Audit Committee has responsibility for reviewing the Administration's approach to risk and for considering and advising on prevailing exposure levels. The Audit Committee provides assurances on the effectiveness of risk management to me, as Accounting Officer, and, via its annual report, to the House Committee. The House Committee is also informed 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 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. The risk strategy document has been circulated to all Offices within the Administration.

The risk management framework was reviewed during 2010-11 and certain opportunities for improvement were identified. I, together with other Management Board members, will consider how current arrangements might be further refined during the first half of 2011-12.

I consider that effective risk management is adequately embedded in all significant areas of the House of Lords Administration, and delivers an appropriate and proportionate level of control to the strategic and operational activities for which I am responsible, but I recognise that there is room for improvement, which I hope to achieve during 2011-12, building on the recent review mentioned above.

Information Risk

Work has continued during 2010-11 to strengthen House of Lords management of information and data security risks. Key roles and responsibilities in this area are clearly defined, with primary responsibility delegated to the Reading Clerk as Senior Information Risk Owner. Work undertaken by the Internal Audit section during the year indicates that good progress is being made in this area.

External Assurance

Internal financial control is achieved through a framework of regular management information, administrative procedures including segregation of duties, and financial delegation and accountability. However, there are some significant areas of expenditure for which I am responsible but for which day-to-day operational control and financial management has been devolved to external parties. For these areas I seek additional assurances as follows:

- The calculation of certain shared service costs and shared asset values is undertaken in the House of Commons and incorporated into the House of Lords Resource Accounts. I have received an assurance from the Accounting Officer in the House of Commons regarding the adequacy of the accounting systems used to determine this information.
- Charges under the Palace of Westminster Special Services Agreement with the Metropolitan Police Service include direct and indirect costs, and an apportionment of Metropolitan Police overheads. I have obtained written assurance from the Metropolitan Police concerning the probity of these charges.
- A scheme for providing financial assistance to opposition parties – generally referred to as Cranborne Money – was introduced in 1996. I have no direct control over the expenditure involved but am provided annually with professional audit certificates by each of the main opposition parties and by the Convenor of the Crossbench Peers.

I am content to rely on these three sources of external assurance.

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 key source of assurance is the Internal Audit section which operates to defined Government Internal Audit Standards. Based on review work delivered during 2010-11, the Head of Internal Audit has provided a substantial overall 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 in their management letter and other reports. I am also guided by the views of the Audit Committee and the Management Board. All Management Board members have been asked to prepare specific declarations regarding the strength of internal control arrangements in the areas for which they are responsible. These have provided supporting evidence to me as Accounting Officer and have helped to underpin this Statement.

During 2010-11 the scheme governing payments to Members was amended twice. Following criticisms of the scheme, particularly relating to the designation of Members' main residences, and responding to the report by the Senior Salaries Review Body published in November 2009, from the start of the new Parliament (18 May 2010) all Members seeking to claim night subsistence had to sign a declaration stating the location of their principal residence and provide copies of documents from an approved list to verify that the principal residence was outside Greater London. These declarations were published on the Parliamentary website in November 2010. It was also agreed that under the new Code of Conduct for Members (which also came into effect on 18 May), any complaints about Members' conduct, including complaints about expense claims, will be considered by the new office of the Lords' Commissioner for Standards.

From 1 October 2010 a new system of Financial Support for Members was introduced, with only travel expenses separately reimbursed. The Members' Reimbursement Scheme was replaced with a simplified scheme based upon a single Daily Allowance. Review work undertaken jointly by the National Audit Office and House of Lords Internal Audit suggests that the related control framework for the new scheme is operating effectively.

During the year, several cases of alleged abuses of the old scheme were investigated. Three Members were suspended by the House. Two of those have repaid sums wrongly claimed. At the time of writing I am actively pursuing the recovery of the money wrongly claimed by the third. Two other Members were charged with criminal offences arising out of wrongful claims. After the end of the financial year, both were sentenced to imprisonment. Both have already made repayments to the House. In one case the Commissioner for Standards is investigating what further sum might be reclaimed; the other case is *sub judice* as an appeal has been lodged against conviction.

David Beamish
Clerk of the Parliaments and Accounting Officer

14 July 2011

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

I certify that I have audited the financial statements of the House of Lords for the year ended 31 March 2011. These comprise the Statement of Parliamentary Supply, the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity 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

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

Scope of the audit of the financial statements

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

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

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.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the House of Lords' affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and net operating cost, for the year then ended; and

- the financial statements have been properly prepared in accordance with the House of Lords Financial Reporting Manual.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the House of Lords Financial Reporting Manual; and
- the information given in the Foreword 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

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

18 July 2011

Statement of Parliamentary Supply

Summary of Resource Outturn 2010-11

Request for Resources	Note	Estimate			2010-11 £000 Outturn			Net Total outturn compared with Estimate: saving/ (excess)	2009-10 £000 Outturn
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total		
Members' expenses and administration etc.	3	108,443	(6,417)	102,026	83,539	(6,141)	77,398	24,628	111,655
Total resources	4	108,443	(6,417)	102,026	83,539	(6,141)	77,398	24,628	111,655
Non-operating cost A in A		-	-	-	-	-	-	-	-

Net cash requirement 2010-11

	Note	2010-11 £000			Net Total outturn compared with Estimate: saving/(excess)	2009-10 £000 Outturn
		Estimate	Outturn	Outturn		
Net cash requirement	5	116,732	92,183	24,549	86,227	

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 2010-11 £000		Outturn 2010-11 £000	
		Income	Receipts	Income	Receipts
Total	6	-	-	-	-

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

The notes on pages 20 to 45 form part of the accounts

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011

	Note	2010-11 £000	2009-10 restated £000
Programme Costs			
Staff costs	8	23,286	21,883
Expenditure	9	71,127	80,730
Income	10	(6,141)	(6,414)
Totals		88,272	96,199
Net Operating Cost before pension adjustment			
		88,272	96,199
Pension adjustment	8	(10,874)	-
Net Operating Cost		77,398	96,199
Other Comprehensive Expenditure			
Net (gain)/loss on revaluation of Property, Plant and Equipment		18,497	148,078
Net (gain)/loss on pension liabilities due to changes in actuarial assumptions		(10,303)	27,521
Total Comprehensive Expenditure		85,592	271,798

The notes on pages 20 to 45 form part of the accounts

Statement of Financial Position

as at 31 March 2011

		31 March 2011		31 March 2010 restated		1 April 2009 restated
		£000	£000	£000	£000	£000
	Note					
Non-current assets:						
Property, plant and equipment	11	428,311		433,207		585,752
Intangible assets	12	189		127		334
Total non-current assets:			428,500		433,334	586,086
Current assets:						
Inventories	15	169		161		190
Trade and other receivables	16	2,015		2,593		1,150
Cash and cash equivalents	17	765		934		692
Total current assets:			2,949		3,688	2,032
Total assets:			431,449		437,022	588,118
Current liabilities:						
Trade and other payables	18	(8,815)		(6,646)		(5,039)
Total current liabilities			(8,815)		(6,646)	(5,039)
Non-current assets plus net current assets			422,634		430,376	583,079
Non-current liabilities:						
Provisions	19	(97,474)		(111,902)		(79,134)
Total non-current liabilities			(97,474)		(111,902)	(79,134)
Assets less liabilities			325,160		318,474	503,945
Taxpayers' equity:						
General Fund		231,706		206,471		243,799
Revaluation Reserve		93,237		111,786		259,929
Donated Asset Reserve		217		217		217
Total taxpayers' equity			325,160		318,474	503,945

David Beamish
Clerk of the Parliaments and Accounting Officer

14 July 2011

The notes on pages 20 to 45 form part of the accounts

Statement of Cash Flows

for year ended 31 March 2011

	Note	2010-11 restated £000	2009-10 restated £000
Cash flows from operating activities			
Net operating cost		(77,398)	(96,199)
Adjustments for non-cash transactions	9	9,367	19,882
(Increase)/Decrease in trade and other receivables	16	578	(1,443)
(Increase)/Decrease in inventories	15	(8)	29
Increase/(Decrease) in trade payables	18	2,338	1,365
<i>Less (increase)/decrease in amounts due to the Consolidated Fund</i>		-	-
Use of provisions		(9,468)	452
Net cash outflow from operating activities		(74,591)	(75,914)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(17,459)	(10,203)
Purchase of intangible assets	12	(143)	(110)
Proceeds from the disposal of property, plant and equipment		-	-
Proceeds from the disposal of intangibles		-	-
Net cash outflow from investing activities		(17,602)	(10,313)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		92,014	86,469
From the Consolidated Fund (Supply) – prior year		-	-
Net financing		92,014	86,469
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		(179)	242
Prior year supply to be repaid to the Consolidated Fund		10	-
Payments of amounts due to the Consolidated Fund		-	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(169)	242
Cash and cash equivalents at the beginning of the period	17	934	692
Cash and cash equivalents at the end of the period	17	765	934

The notes on pages 20 to 45 form part of the accounts

Statement of Changes in Taxpayers' Equity

	Note	General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserves
		£000	£000	£000	£000
Balance at 31 March 2009		232,382	243,996	217	476,595
Changes in accounting policy	2	11,417	15,933	-	27,350
Restated balance at 1 April 2009		243,799	259,929	217	503,945
Changes in taxpayers' equity for 2009-10					
Net gain/(loss) on revaluation of property, plant and equipment	14	-	(148,078)	-	(148,078)
Net gain/(loss) on pension liabilities due to changes in actuarial assumptions	19	(27,521)	-	-	(27,521)
Non-cash charges – auditor's remuneration	9	100	-	-	100
Transfers between reserves		65	(65)	-	-
Net operating cost for the year		(96,199)	-	-	(96,199)
Total recognised income and expense for 2009-10		(123,555)	(148,143)	-	(271,698)
Net Parliamentary Funding – drawn down		86,469	-	-	86,469
Net Parliamentary Funding – deemed		692	-	-	692
Supply payable adjustment		(934)	-	-	(934)
CFERs repayable to the Consolidated Fund		-	-	-	-
Balance at 31 March 2010		206,471	111,786	217	318,474
Changes in taxpayers' equity for 2010-11					
Net gain/(loss) on revaluation of property, plant and equipment	14	-	(18,497)	-	(18,497)
Net gain/(loss) on pension liabilities due to changes in actuarial assumptions	19	10,303	-	-	10,303
Non-cash charges – auditor's remuneration	9	85	-	-	85
Transfers between reserves		52	(52)	-	-
Net operating cost for the year		(77,398)	-	-	(77,398)
Total recognised income and expense for 2010-11		(66,958)	(18,549)	-	(85,507)
Net Parliamentary Funding – drawn down		92,014	-	-	92,014
Net Parliamentary Funding – deemed		934	-	-	934
Supply payable adjustment		(755)	-	-	(755)
Balance at 31 March 2011		231,706	93,237	217	325,160

The notes on pages 20 to 45 form part of the accounts

Notes to the Resource Accounts

I. Statement of accounting policies

The financial statements have been prepared in accordance with the *House of Lords' Financial Reporting Manual* with reference to the 2010-11 *Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) 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 the most appropriate to the particular circumstances of the House of Lords for the purpose of giving a true and fair view has been selected. The particular policies adopted by the House of Lords are described below. The accounting policies have been applied consistently in dealing with items that are considered material to the accounts. Whilst the House of Lords is not obliged to comply with the *FReM* or HM Treasury's *Corporate Governance in Central Government Departments: Code of Good Practice*, it seeks to apply best practice principles wherever possible.

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

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 Finance 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 a 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.

ICT services are managed by the Parliamentary Information and Communication Technology (PICT) service for both Houses. Each House pays for its own ICT hardware with the costs of PICT itself being split on an 20:80 (Lords:Commons) ratio. Joint ICT development project costs are shared on an agreed project by project basis.

1.1 Accounting convention

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

1.2 Basis of preparation

These accounts comprise the House of Lords Members' expenses and administration costs, the transactions of the House of Lords Catering and Retail Services, and the House of Lords Works of Art Collection Fund.

1.3 Property, Plant and Equipment

The minimum level for the capitalisation of property, plant and equipment, and intangible non current 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.

In accordance with IAS 16 property, plant and equipment (excluding the Palace of Westminster) are valued at fair value using a method determined by the Valuation Office Agency (VOA). The Palace of Westminster is valued at Depreciated Replacement Cost due to its specialised nature and all other buildings are valued at fair value using the existing use method.

The Parliamentary Estate is subject to a full professional revaluation every 5 years, supplemented by an annual VOA desktop valuation in the interim years. The Parliamentary Estate was re-valued during 2010-11 by the VOA using a desktop valuation; the valuation date was as at 31 March 2011. The last full revaluation was as at 31 March 2008.

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

ii. Long Leasehold Properties

The House of Lords holds a number of properties on long leaseholds. The building element of the property is capitalised, revalued annually and depreciated over the remaining life of the lease. The land element of these properties has been capitalised under the revision to IAS 17 during 2010-11.

iii. Plant and Machinery

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

iv. Other Non Current Assets

Other non current assets have been stated at current cost using appropriate indices where appropriate. For 2010-11 other non current assets were not subject to revaluation as the modified costs were not material.

v. Assets Under Construction

The Millbank Island site was transferred to an Asset Under Construction in 2009-10 for a period of two years whilst the properties underwent renovation. The assets were transferred at their current NBV as at 1 September 2009. The assets were last revalued on 31 March 2008 and will be revalued by the VOA once the buildings are back in occupational use. Assets under construction additions have been capitalised at cost.

vi. Intangible Non Current Assets

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

1.4 Heritage Assets

A new financial reporting standard was introduced during 2010-11 *FRS 30, Heritage Assets*. This standard requires organisations to provide additional information, within the financial statements, of any heritage assets held by them as at 31 March 2011. Each category of heritage asset held by the House of Lords, along with the applicable accounting policy and asset management policies, is detailed below.

The House of Lords has the following categories of heritage assets – antique furniture, works of art, the Parliamentary Archives, broadcasting archives, the library collection, Members' robes, ceremonial items, architectural salvage and the estates archives. Of these the value of antique furniture, the Members' robes and additions to the Works of Art Collection since 1 April 2000 are included in the Statement of Financial Position. The others are not capitalised as it is not cost effective to obtain valuations for these asset groups.

Notes to the Resource Accounts – continued

i. Antique Furniture

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

Each year the Furniture Manager in the Parliamentary Estates Directorate carries out an internal review to assess if any revaluation adjustment is required. During 2009-10 the furniture was valued by H Blairman & Sons who gave an indicative valuation for purposes of insurance. This is the value used at 31 March 2011.

Many of the items are in continual use throughout the estate. Of the items in storage some are kept on site and some are held by a third party in secured storage facilities. It is the House's policy to maintain its collection of antique furniture in full working order and maintenance costs are charged to the Statement of Comprehensive Net Expenditure when incurred. The antique furniture collection is deemed to have indeterminate life and the House does not therefore consider it appropriate to charge depreciation.

Subject to approval, the Furniture Manager in the Parliamentary Estates Directorate may dispose of items from the collection, although this will only happen in exceptional circumstances. The vast majority of items in the collection were acquired over forty years ago. The House's detailed management, preservation, disposal and access policy will be drafted during the 2011-12 financial year, alongside that of the House of Commons.

ii. Works of Art Collection

Parliament has collected Works of Art since 1841. The Parliamentary Works of Art Collection is the national collection of art relating to the history of Parliament. It contains images of important parliamentary events past and present, and includes the murals, mosaics and tapestries within the Palace of Westminster. There is also a collection of medals with associations to former parliamentarians. It is a growing collection, representing the life of Parliament throughout history to the present day.

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. Details of the House of Lords Works of Art Collection Fund, including the current year acquisitions, are contained in note 27.

For valuation purposes, the parliamentary art collection is divided into two categories; those items held as at 31 March 2000 and those items acquired since that date. The value of the parliamentary art collection as at 31 March 2000 is not currently included on the Statement of Financial Position due to the diverse nature of the assets and the large volume of items held by the House. To obtain a market value for a collection of this size and diversity would be costly. The benefit received by a valuation exercise at this time would not justify the expense incurred. However, this position will be reviewed on regular basis.

Acquisitions since 1 April 2000 have either been made by purchase or donation; purchases are recorded at cost. The Parliamentary Art Collection is deemed to have an indeterminate life and the House does not therefore consider it appropriate to charge depreciation. It is the House's policy to maintain its collection of parliamentary art in pristine condition and any maintenance costs are charged to the Statement of Comprehensive Net Expenditure when incurred.

The Works of Art collection is managed by the Houses' Curator. The Curator's Office is responsible for all aspects of the management, care, conservation, preservation and interpretation of the Parliamentary Art Collection at the Palace of Westminster in accordance with the policies that are approved by the Works of Art Committees of both Houses. The House of Lords Works of Art Committee aims to acquire or commission works of the highest quality and condition achievable. The Committee oversees the Works of Art Collection Fund, details of which are in note 27. The House's detailed disposal and access policy is to be drafted during the 2011-12 financial year.

Notes to the Resource Accounts – continued

The collection has over 8,000 works of art, over 80% of which are on display throughout the buildings of the Parliamentary Estate. The earliest pieces date from the mediaeval age, with major holdings dating from the 18th, 19th and 20th centuries, and significant contemporary holdings also.

The collection held by Parliament, either solely or jointly with the House of Commons, prior to 1 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		

iii. The Parliamentary Archives

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 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 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. It is not deemed cost effective to obtain a value. The Parliamentary Archives occasionally purchase historical manuscripts which are important to the history of Parliament. These are included in the Statement of Financial Position at cost.

The Parliamentary Archives publishes an Annual Report which is available via www.parliament.uk. Full details of the Parliamentary Archives acquisition policy are also available at the web address above.

iv. Broadcasting Archives

The broadcasting archive consists of audio and video tape recordings of gavel to gavel coverage from the Chambers in both Houses and also Committees selected by the broadcasters. After two years, the tapes are transferred to the British Film Institute (BFI) archive facility at Berkhamstead, with whom Parliament has a preservation and storage contract.

In attempting to consider a value for the archive it is both valuable and yet with little value. The historic television content is where the value lies, and it is difficult to attribute a value to this. There is little intrinsic value to the physical tape material itself and the content is made freely available as duplicated copies on video tapes to anyone who orders it. Consequently, the value of this archive is not included in the Statement of Financial Position.

v. House of Lords Library Collection

The House of Lords Library holds a collection including early printed books, which dates back to the fifteenth century. A comprehensive collection management policy covering collection management, preservation and conservation, loans and donations is held by the House of Lords Library. This policy is reviewed on a regular basis. Similar to the Parliamentary Archives, it is not deemed cost effective to obtain a value of the collection.

vi. 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. Any maintenance costs are charged to the Statement of Comprehensive Net Expenditure when incurred. The value of Member Robes is based on an indicative valuation for purposes of insurance and the robes, due to their long life, are not depreciated. As the robes have been donated, the Donated Assets Reserve comprises these robes.

Notes to the Resource Accounts – continued

vii. Ceremonial Items

The House's collection of ceremonial items includes the Mace, the Woolsack and medallions worn by the Doorkeepers. The value of ceremonial items is not currently included within the Statement of Financial Position as it is deemed not cost effective to do so. The costs of ceremonial uniforms are charged to operating costs in the year the expenditure was incurred. Any maintenance costs are charged to the Statement of Comprehensive Net Expenditure when incurred.

viii. Architectural salvage and estate archives

The architectural salvage collection consists of examples of architectural pieces from the Palace of Westminster such as examples of stone work. Many of these pieces have been retained to provide a record of the craftsmanship used in the building of the Palace throughout its life. Cost information is not readily available and the benefit of obtaining valuations would not justify the cost, therefore it is not recognised in the Statement of Financial Position.

The estate archive consists of predominantly parliamentary estate ephemera. It is not recognised in the Statement of Financial Position as cost information is not readily available and the benefit of obtaining valuations would not justify the cost. Nearly all the items are thought to have nominal financial value and no item is worth more than £1,000.

1.5 Depreciation and Amortisation

Depreciation is charged to expenditure on the historic value of assets. For buildings and a selection of non current assets, that element of the depreciation which relates to the increase in valuation in prior years is charged to the Revaluation Reserve. This amount is realised by transferring the balance in the Revaluation Reserve to the General Fund over the remaining useful life of the asset. Land assets are not depreciated.

Depreciation is provided at rates calculated to write off the valuation of freehold buildings and also for plant, equipment and intangible assets by equal instalments over their estimated useful lives. Assets with a long useful life, for example some heritage assets with an estimated life of more than 200 years, are not depreciated (as per IAS 16) because the long remaining life or high residual value of the asset makes any such charge immaterial. Capital works on leasehold property are depreciated on a straight line basis over the lease period. The capitalised costs of assets in the course of construction are not depreciated until the assets are brought into use.

Asset lives are usually in the following range:

Palace of Westminster	85 years
Other buildings	remaining life (between 21-34 years)
Fixtures and fittings	10 years
Catering and Retail Services 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

1.6 Inventories

Inventories include goods for resale and other inventories held by Catering and Retail Services. 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.

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.

Notes to the Resource Accounts – continued

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 up until July 2009 (prior to the creation of the UK Supreme Court), 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 not only includes 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. All expenditure is classified as programme costs.

1.10 Capital charge

From 1 April 2010, the requirement to account for capital charges has been removed. In line with HM Treasury advice, prior period adjustments arising from the removal of the cost of capital charge were not included in the Estimates for 2010-11, other than a note, on the basis that the prior period adjustments numbers could be misleading. The impact of accounting policy changes on Supply outturn in respect for 2009-10 are shown in note 2.

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 8. The pension scheme is accounted for under the terms of *IAS 19 Retirement Benefits*. The annual accruing cost of providing for future benefits is charged to the Statement of Comprehensive Net Expenditure and is based upon rates determined by the Government Actuary and advised by HM Treasury. These rates were in the range of 16.7-24.3% of pensionable pay. A provision to meet the liability is included on the Statement of Financial Position. Actuarial gains and losses are recognised as an adjustment to the General Fund in the year the gains/losses occur. 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 Statement of Comprehensive Net Expenditure over the lease term. The House of Lords holds two properties on 999 year leases and two further properties on leases greater than 100 years. These are capitalised and the building elements are depreciated over their useful life.

1.14 Grants payable

The House of Lords, along with the House of Commons, provides grant funding to certain bodies with links to Parliament. Generally grants are paid quarterly and the amounts are reviewed each year. In 2010-11 the House of Lords made the following grant payments:

	2010-11	2009-10
	£	£
History of Parliament Trust	580,800	581,000
Commonwealth Parliamentary Association UK Branch	438,300	584,000
Inter-Parliamentary Union British Group	293,400	391,000
British-Irish Parliamentary Assembly	55,800	56,000
British-American Parliamentary Group	33,000	33,000
	1,401,300	1,645,000

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 held monies lodged as security on civil appeals to the House of Lords. Monies held in the account were transferred to the UK Supreme Court during October 2009.

The House of Lords Catering and Retail Services receives and pays gratuities on behalf of its staff; for 2010-11 the amount paid was £329,626 (2009-10 – £314,112). The balance held at the end of the financial year was £62,887 (2009-10 - £37,890).

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 IAS 37 *Provisions, contingent liabilities and contingent assets*, 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 *Managing Public Money*. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament is separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 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.

1.19 Repayment by Members

During the year several cases of alleged abuses of the former Members Reimbursement Scheme were investigated. Two Members suspended by the House repaid sums wrongly claimed. The monies owed by a third Member (totalling £125,349.10) are being actively pursued by the Administration. Two other Members were charged with criminal offences and sentenced to imprisonment. Both have made repayments to the House. In one case the Commissioner for Standards is investigating what further sum might be reclaimed and in the other case an appeal against conviction has been lodged. Repayments by Members are recognised in the financial statements when they are received. During the 2010-11 financial year the total repaid in relation to the above was £38,743.80

Notes to the Resource Accounts – continued

2. Changes in Accounting Policies

	General Fund £000	Revaluation Reserve £000	Donated Asset Reserve £000
Taxpayers' equity at 31 March 2009	232,382	243,996	217
Adjustments for:			
IAS 17 Operating leases – land	11,417	15,933	-
Taxpayers' equity at 1 April 2009	243,799	259,929	217

There was no change to the cash and cash equivalent balances

	£000
Net operating cost for 2009-10 (Statement of Parliamentary Supply)	111,655
Adjustments for:	
IAS 17 Operating leases – land*	765
Cost of capital in relation to IAS 17 adjustment*	696
Removal of the Cost of Capital Charge**	(16,917)
Net operating cost for 2009-10	96,199

*The International Accounting Standards Board's *Improvement to IFRSs April 2009* has amended IAS 17 for periods starting on or after 1 January 2010. Following the EU endorsement of these improvements, the House of Lords has re-capitalised long leasehold land. In accordance with the IAS 17 amendments, the land elements which had been treated as operating leases have now been capitalised and treated as a finance lease.

**The removal of the cost of capital charge and the adoption of IAS 36, Impairment of assets has the above effect on Resource Outturn in 2009-10.

3. Analysis of net resource outturn by section

							2010-11 £000	2009-10 £000	
							Outturn	Estimate	
							Net Total	Net Total	Prior-year outturn
	Admin	Other current	Grants	Gross resource expenditure	A in A	Net Total	Net Total	Net Total outturn compared with Estimate	
Request for resources 1: Members' expenses and administration, etc.									
Administration	-	57,305	1,401	58,706	(4,931)	53,775	75,381	(21,606)	63,560
Works Services	-	21,992	-	21,992	(1,210)	20,782	21,525	(743)	37,973
Administration (AME)	-	2,841	-	2,841	-	2,841	5,120	(2,279)	10,122
Total	-	82,138	1,401	83,539	(6,141)	77,398	102,026	(24,628)	111,655

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

Notes to the Resource Accounts – continued**4. Reconciliation of net resource outturn to net operating cost**

			2010-11 £000	2009-10 £000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate
Net Resource Outturn	3	77,398	102,026	(24,628)
Non-supply income (CFERs)	6	-	-	-
Changes in accounting policies	2	-	-	(15,456)
Net operating cost		77,398	102,026	(24,628)

5. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/(excess) £000
Net Resource Outturn	3	102,026	77,398	24,628
Capital				
Acquisition of property, plant and equipment	11, 12	26,727	17,602	9,125
Accruals adjustments				
Non-cash items		(15,429)	(9,367)	(6,062)
Changes in working capital other than cash		358	(2,918)	3,276
Use of provision		3,050	9,468	(6,418)
Net cash requirement		116,732	92,183	24,549

6. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	2010-11 £000	2009-10 £000
Operating Income	10	6,141	6,414
Income authorised to be appropriated-in-aid		(6,141)	(6,414)
Operating income payable to the Consolidated Fund		-	-

Notes to the Resource Accounts – continued

7. Segmental Reporting

7.1 Segmental Information

The reporting segments identified below are in line with the reporting of net expenditure against the objectives in the *House of Lord Business Plan 2010/11* (HL Paper 71).

The House of Lords' objectives, as detailed in the Business Plan, are as follows:

- Objective 1 To provide the House and its committees with the advice and services they need for the effective conduct of business.
- Objective 2 To provide individual members of the House with advice and services they need for the effective performance of their parliamentary duties (regardless of party or office).
- Objective 3 To make the House and its work accessible to the public.
- Objective 4 To maintain the House's buildings and collections, having regard to the heritage they represent.

The basis of segmental reporting is agreed by the Management Board annually as part of the business planning cycle. Resource spend is reviewed and reported annually by the Management Board and published within the Business Plan.

Individual offices and department evaluate and apportion their annual budget and resource expenditure by objective which in turn is collected and used to calculate the allocation by reporting segment. Total assets and net assets are managed and controlled at a corporate level.

	2010-11					2009-10				
	£000					£000				
	Objective 1	Objective 2	Objective 3	Objective 4	Total	Objective 1	Objective 2	Objective 3	Objective 4	Total
Gross expenditure	29,531	30,071	4,672	21,179	85,453	32,894	34,040	6,777	20,616	94,327
Income	(891)	(3,253)	(291)	(1,706)	(6,141)	(1,006)	(3,360)	(324)	(1,724)	(6,414)
Net Expenditure	28,640	26,818	4,381	19,473	79,312	31,888	30,680	6,453	18,892	87,913
Total Assets	431,449					437,022				
Net Assets	325,160					318,474				

7.2 Reconciliation between Segmental Information and Net Operating Cost in the Statement of Comprehensive Net Expenditure

	2010-11	2009-10
	£000	£000
Total net expenditure reported by segment	79,312	87,913
Net (gain)/loss on revaluation of property, plant and equipment	(1,914)	8,286
Net Operating Cost per Statement of Comprehensive Net Expenditure	77,398	96,199

Notes to the Resource Accounts – continued**8. Staff numbers and related costs**

Staff costs comprise:

	2010-11	2009-10
	£000	£000
Wages and salaries	17,138	17,008
Social security costs	1,315	1,317
Other pension costs	5,215	3,882
Sub total	23,668	22,207
Less recoveries in respect of outward secondments	(382)	(324)
Net costs before pension adjustments	23,286	21,883
Pension adjustment*	(10,874)	-
Total net cost	12,412	21,883

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 Statement of Financial Position. 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 31 March 2011.

For 2010-11, employers' contributions of £2,588,571 (2009-10 – £2,623,779) were accrued at rates in the range 16.7-24.3% (2009-10 – 16.7-24.3%) 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 1 October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £26,111 (2009-10 – £21,481) 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% (2009-10 – 3-12.5%) of pensionable pay. Contributions due to the partnership pension providers at the Statement of Financial Position date were £nil (2009-10 – nil). Contributions prepaid at that date were £nil (2009-10 – 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.

**Pension adjustment*

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public sector pensions through the statutory link to the indexation of the Second State Pension.

The change from RPI to CPI for the purposes of uprating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years. The resulting impact from the change from RPI to CPI on the House of Lords Staff Pension Scheme is a negative past service cost of £10,874,000.

Notes to the Resource Accounts – *continued*

The question of whether, as regards the main public service pensions schemes, there is a legitimate expectation that RPI will be used for inflation indexing is currently before the courts in judicial review proceedings. The Government case is that no legitimate expectation exists and that, in any event, even if there was a legitimate expectation this was overridden by the clear public interest in making very substantial savings at a time when the Government has adjudged that deficit reduction was a fundamental objective for the country. If the Government's case is proven, there would be no change to the accounting treatment adopted in these accounts.

Average number of persons employed

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

	2010-11	2009-10
House of Lords Administration	441	454

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

The House of Commons ran a voluntary exit scheme during 2010-11 for which both House of Commons and PICT staff could apply. As PICT staff are jointly employed by both Houses, the House of Lords paid the related proportion of the PICT staff voluntary exit packages. The total cost to the House of Lords was £72,800 (£2009-10 nil).

Notes to the Resource Accounts – continued**9. Expenditure**

	Note	2010-11 £000	2009-10 restated £000
Rentals under operating leases		2,203	2,283
Non-cash items			
Depreciation	11	5,764	6,306
Amortisation	12	81	317
Loss on disposal of property, plant and equipment		8	78
Net (gain)/loss on revaluation of property, plant and equipment		(1,914)	8,286
Auditor's remuneration and expenses		85	100
Interest cost on provisions	19.1	4,755	4,795
Increase in provision	19.2	588	-
<i>Total non-cash items</i>		<i>9,367</i>	<i>19,882</i>
Members' Expenses and Financial Support		18,740	17,237
Security		10,203	10,123
Estates & Works expenditure		15,955	13,978
Printing and publications		3,432	4,035
IT costs		3,634	3,987
Grants	1.14	1,401	1,645
Other expenditure		6,192	7,560
Total		71,127	80,730

The auditor's remuneration is made up of £85,000 for the 2010-11 Resource Account audit (2009-10 - £90,000, plus £10,000 for review work in relation to the preparation of transferring the Resource Accounts to International Financial Reporting Standards). Further information on Members' Expenses and Financial Support is available at www.parliament.uk

10. Income

	2010-11 £000	2009-10 £000
Catering and Retail Services sales	4,203	4,185
Pension contributions and transfers in	686	777
Judicial fees and taxation	-	175
Fees, charges and rental income	1,252	1,277
	6,141	6,414

The amount applied as appropriations in aid totalled £6,140,685.

Notes to the Resource Accounts – continued

11. Property, plant and equipment

	Land & Buildings excluding dwellings	Dwellings	Fixtures & Fittings	Information Technology	Plant & Machinery	Heritage Assets	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2010	708,403	2,228	2,269	8,162	1,734	14,230	43,696	780,722
Additions	5,016	-	50	1,290	-	51	11,052	17,459
Disposals	-	-	-	(667)	-	-	-	(667)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(35,464)	36	15	-	-	-	-	(35,413)
At 31 March 2011	677,955	2,264	2,334	8,785	1,734	14,281	54,748	762,101
Depreciation								
At 1 April 2010	336,996	79	1,103	5,710	184	-	3,443	347,515
Charged in year	4,343	75	222	1,036	88	-	-	5,764
Disposals	-	-	-	(659)	-	-	-	(659)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(18,751)	(79)	-	-	-	-	-	(18,830)
At 31 March 2011	322,588	75	1,325	6,087	272	-	3,443	333,790
Net book value at 31 March 2011	355,367	2,189	1,009	2,698	1,462	14,281	51,305	428,311
Net book value at 31 March 2010	371,407	2,149	1,166	2,452	1,550	14,230	40,253	433,207

Analysis of Land and Buildings

	Land		Buildings		Improvements	Total
	Freehold	Long Leasehold	Freehold	Long Leasehold		
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2010	40,575	4,052	648,073	12,770	2,933	708,403
Additions	-	-	5,100	-	(84)	5,016
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluations	138	772	(38,571)	2,197	-	(35,464)
At 31 March 2011	40,713	4,824	614,602	14,967	2,849	677,955
Depreciation						
At 1 April 2010	-	-	336,171	616	209	336,996
Charged in year	-	-	3,643	497	203	4,343
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluations	-	-	(18,137)	(614)	-	(18,751)
At 31 March 2011	-	-	321,677	499	412	322,588
Net book value at 31 March 2011	40,713	4,824	292,925	14,468	2,437	355,367
Net book value at 31 March 2010	40,575	4,052	311,902	12,154	2,724	371,407

Notes to the Resource Accounts – continued

I I. Property, plant and equipment– continued

	Land & Buildings excluding dwellings	Dwellings	Fixtures & Fittings	Information Technology	Plant & Machinery	Heritage Assets	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2009	1,036,147	2,806	1,556	7,568	1,734	9,681	997	1,060,489
Additions	5,827	-	744	959	-	43	2,630	10,203
Disposals	-	-	(35)	(365)	-	-	-	(400)
Reclassifications	(40,069)	-	-	-	-	-	40,069	-
Revaluations	(293,502)	(578)	4	-	-	4,506	-	(289,570)
At 31 March 2010	708,403	2,228	2,269	8,162	1,734	14,230	43,696	780,722
Depreciation								
At 1 April 2009	468,557	120	926	5,038	96	-	-	474,737
Charged in year	4,968	79	212	959	88	-	-	6,306
Disposals	-	-	(35)	(287)	-	-	-	(322)
Reclassifications	(3,443)	-	-	-	-	-	3,443	-
Revaluations	(133,086)	(120)	-	-	-	-	-	(133,206)
At 31 March 2010	336,996	79	1,103	5,710	184	-	3,443	347,515
Net book value at 31 March 2010	371,407	2,149	1,166	2,452	1,550	14,230	40,253	433,207
Net book value at 31 March 2009	567,590	2,686	630	2,530	1,638	9,681	997	585,752

Analysis of Land and Buildings

	Land		Buildings		Improvements	Total
	Freehold	Long Leasehold	Freehold	Long Leasehold		
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2009	69,049	26,244	898,185	42,669	-	1,036,147
Additions	-	-	3,354	-	2,473	5,827
Disposals	-	-	-	-	-	-
Reclassifications	-	(15,094)	-	(25,435)	460	(40,069)
Revaluations	(28,474)	(7,098)	(253,466)	(4,464)	-	(293,502)
At 31 March 2010	40,575	4,052	648,073	12,770	2,933	708,403
Depreciation						
At 1 April 2009	-	-	464,259	4,298	-	468,557
Charged in year	-	-	3,800	959	209	4,968
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	(3,443)	-	(3,443)
Revaluations	-	-	(131,888)	(1,198)	-	(133,086)
At 31 March 2010	-	-	336,171	616	209	336,996
Net book value at 31 March 2010	40,575	4,052	311,902	12,154	2,724	371,407
Net book value at 31 March 2009	69,049	26,244	433,926	38,371	-	567,590

Notes to the Resource Accounts – continued

Land and buildings

The Parliamentary Estate was re-valued during 2010-11 by the Valuation Office Agency on the basis of Depreciated Replacement Cost for the Palace of Westminster and Existing Use for the remainder of the Parliamentary Estate.

The valuation date was 31 March 2011. The total value of the Palace as at 31 March 2011 was £816,775,000 (House of Lords share £326,710,000).

Assets Under Construction

The Assets Under Construction consists of two buildings: 1 Millbank and 2 Millbank. The two buildings are undergoing major renovation over a period of two years in order to transform the two buildings into a single building by the autumn 2011. The assets were transferred at their current NBV as at 1 September 2009.

The assets under construction did not form part of the VOA's valuation of the Parliamentary Estate as at 31 March 2011. The renovated building (formally 1 and 2 Millbank) will be revalued by the VOA once the building is back in occupational use.

Assets under construction additions have been capitalised at cost.

Fixtures and Fittings

Fixtures and Fittings comprises all office and light equipment, including that of Catering and Retail Services.

Plant and Machinery

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

Heritage Assets

The heritage assets that have been capitalised and included within the Statement of Financial Position are detailed by type of heritage asset below.

i. Antique Furniture

During 2009-10 the furniture was valued by Bonhams who gave an indicative valuation for purposes of insurance and a market value, the market value was the value used at 31 March 2011. The value of the antique furniture as at 31 March 2011 was £13,517,920.

ii. Works of Art

Works of Art acquired prior to 1 April 2000 are not included on the Statement of Financial Position. The value of Works of Art as at 31 March 2011 was £493,586 (2009-10 - £462,263). Details of the Works of Art Collection Fund are in note 27.

iii. Historical Manuscripts

Parliamentary Archives occasionally purchase historical manuscripts which are important to the history of Parliament. The value of these manuscripts held within the Statement of Financial Position as at 31 March 2011 was £51,879.

iv. Members' Robes

The value of the donated Members' Robes as at 31 March 2011 was £217,453.

Notes to the Resource Accounts – continued**12. Intangible non current assets**

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

	Information Technology	Software licences	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2010	14	2,309	2,323
Additions	-	143	143
Reclassifications	-	-	-
Disposals	-	-	-
Revaluation	-	-	-
At 31 March 2011	14	2,452	2,466
Amortisation			
At 1 April 2010	14	2,182	2,196
Charged in year	-	81	81
Disposals	-	-	-
Revaluation	-	-	-
At 31 March 2011	14	2,263	2,277
Net book value at 31 March 2011	-	189	189
Net book value at 1 April 2010	-	127	127

Notes to the Resource Accounts – continued

	Information Technology	Software licences	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2009	14	2,231	2,245
Additions	-	110	110
Reclassifications	-	-	-
Disposals	-	(32)	(32)
Revaluation	-	-	-
At 31 March 2010	14	2,309	2,323
Amortisation			
At 1 April 2009	14	1,897	1,911
Charged in year	-	317	317
Disposals	-	(32)	(32)
Revaluation	-	-	-
At 31 March 2010	14	2,182	2,196
Net book value at 31 March 2010	-	127	127
Net book value at 1 April 2009	-	334	334

13. 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.

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

Trade receivables and other current assets are carried at fair value, which is represented by their invoiced value less any subsequent reduction through the provision of bad debts. Trade payables and other current liabilities are carried at fair value, based on their invoiced or expected invoice amounts.

Notes to the Resource Accounts – continued*Financial assets and liabilities by category*

	31 March 2011		31 March 2010	
	Loans and receivables £000	Other financial liabilities £000	Loans and receivables £000	Other financial liabilities £000
Assets				
Trade and other receivables	1,882	-	1,951	-
Cash and cash equivalents	765	-	934	-
Liabilities				
Trade and other payables		8,050		5,712

I4. Revaluation of the Parliamentary Estate

The revaluation exercise of property, plant and equipment during the year resulted in £18,497,000 of the revaluation loss being charged to the revaluation reserve (2009-10 £148,079,000 loss) and remaining gain of £1,914,000 being credited to the Statement of Comprehensive Net Expenditure (2009-10 £8,286,000 loss).

I5. Inventories

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Inventories	169	161	190
	169	161	190

I6. Trade receivables and other current assets

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Amounts falling due within one year:			
Trade receivables	1,882	1,602	787
Deposits and advances	-	349	134
Prepayments and accrued income	133	642	229
	2,015	2,593	1,150
Amounts falling due after more than one year			
Other receivables, deposits and accrued income	-	-	-
	2,015	2,593	1,150

Notes to the Resource Accounts – continued**17. Cash and cash equivalents**

	£000
Balance at 1 April 2009	692
Net change in cash and cash equivalent balances	242
Balance at 31 March 2010	934
Net change in cash and cash equivalent balances	(169)
Balance at 31 March 2011	765

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
The following balances were held at:			
Government Banking Service (prior years: Office of HM Paymaster General)	405	654	177
Commercial banks and cash in hand	360	280	515
Balance at 31 March	765	934	692

18. Trade payables and other current liabilities

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Amounts falling due within one year			
Trade payables	3,116	1,646	863
Other payables	2,636	1,964	1,833
VAT	6	61	64
Accruals and deferred income	2,292	2,041	1,587
Amounts issued from the Consolidated Fund for supply but not spent at year end	755	934	692
Prior year supply to be repaid to the Consolidated Fund	10	-	-
	8,815	6,646	5,039
Amounts falling due after more than one year			
Other payables, accruals and deferred income	-	-	-
	8,815	6,646	5,039

Notes to the Resource Accounts – continued**19. Provisions for liabilities and charges***19.1 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 2011 by the Government Actuary’s Department in accordance with the Financial Reporting Manual (FrM). The major assumptions used by the Actuary were:

	2010-11	2009-10	2008-09	2007-08	2006-07
	£000	£000	£000	£000	£000
Present value of the scheme liabilities					
Liabilities in respect of:					
Active members	51,528	60,714	39,288	40,534	43,627
Deferred Pensioners	8,020	10,341	6,353	6,345	7,018
Current Pensioners	37,338	40,847	33,493	32,545	27,890
Total present value of the scheme liabilities	96,886	111,902	79,134	79,424	78,535

	31 March 2011	31 March 2010
	%	%
Financial assumptions		
The CPI inflation assumption	2.65	2.00
The RPI inflation assumption	-	2.75
The rate of increase in salaries	4.90	4.30
The rate of increase for pensions in payment and deferred pensions	2.65	2.75
The rate used to discount scheme liabilities	5.60	4.60

Analysis of movement in scheme liability

	2010-11	2009-10
	£000	£000
Value of liabilities at 1 April	111,902	79,134
Current service cost	4,080	2,830
Employee contributions	490	500
Interest on scheme liability	4,755	4,795
Curtailments	-	(52)
Pension transfers in	135	231
Benefits payable	(2,844)	(2,630)
Past service costs	(10,874)	-
Pension payments to and on account of leavers	(455)	(427)
Actuarial (gain)/loss	(10,303)	27,521
Balance at 31 March	96,886	111,902

Analysis of actuarial (gain)/loss

	2010-11	2009-10
	£000	£000
Experience (gains)/losses arising on scheme liabilities	(3,791)	16
Changes in assumptions underlying the present value of the scheme liabilities	(6,512)	27,505
	(10,303)	27,521
Cumulative total actuarial loss/(gain)	31,733	42,036

Expenses recognised in the Statement of Comprehensive Net Expenditure

	2010-11	2009-10
	£000	£000
Current services costs*	4,080	2,830
Interest costs (note 9)	4,755	4,795
Past service costs	(10,874)	-
Curtailments*	-	(52)
	(2,039)	7,573

* Included within “other pension costs”, note 8.

Notes to the Resource Accounts - continued*History of (gains) and losses*

	2010-11	2009-10	2008-09	2007-08	2006-07
	£000	£000	£000	£000	£000
Experience (gains)/losses on liabilities					
Amount	(3,791)	16	787	1,062	104
Percentage of the present value of the scheme liabilities	(3.9)%	0.0%	1.0%	1.3%	0.1%

Estimate of contributions expected to be paid into the scheme over the year 1 April 2011 to 31 March 2012

Employer contributions	£000
Employee contributions	3,935
	480
	4,415

19.2 Other Provisions – Dilapidation Provision

The House of Lords has leasehold properties. Under the terms of individual leases the House of Lords is required to return the property to the landlord in a specified condition. A relevant provision has been set up for each property to which this may apply in order for the House of Lords to meet its contractual obligations. The current provisions relates to two leasehold properties.

	2010-11	2009-10
	£000	£000
Value of liabilities at 1 April	-	-
Provided in the year	588	-
Provision not required written back	-	-
Provision utilised during the year	-	-
Balance at 31 March	588	-

20. Capital commitments

	31 March	31 March	1 April
	2011	2010	2009
	£000	£000	£000
Contracted capital commitments at 31 March not otherwise included in these financial statements:			
Property, plant and equipment	4,231	127	2,411

Notes to the Resource Accounts - continued

21. Commitments under leases

Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	31 March 2011	31 March 2010	1 April 2009
	£000	£000	£000
Obligations under operating leases comprise:			
Land:			
No later than one year	12	12	12
Later than one year and not later than five years	46	46	46
Later than five years	207	219	230
	<hr/> 265	<hr/> 277	<hr/> 288
Buildings:			
No later than one year	1,358	2,087	2,247
Later than one year and not later than five years	1,844	8,327	8,334
Later than five years	4,610	16,404	18,484
	<hr/> 7,812	<hr/> 26,818	<hr/> 29,065
Other:			
No later than one year	62	46	12
Later than one year and not later than five years	137	263	28
Later than five years	-	-	-
	<hr/> 199	<hr/> 309	<hr/> 40

The House of Lords owns property leases for which the annual commitment is £1.

22. Contingent liabilities disclosed under IAS 37

The House has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort.

	At 1 April 2010	Increase in year	Liabilities crystallised in year	Obligation expired in year	At 31 March 2011
	£000	£000	£000	£000	£000
Works of Art on loan from various collections	2,600	8,803	-	-	11,403

Notes to the Resource Accounts - continued

23. Losses and Special Payments

There were no exceptional kinds of expenditure such as losses and special payments that require separate disclosure because of their nature or amount (2009-10 – 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%

The House of Commons incurred expenditure of £42,522,000 (2009-10 - £34,811,000) on behalf of the House of Lords during 2010-11. At the financial year end the amount relating to accommodation, works and other shared services owed by the House of Lords to the House of Commons was £133,000 (2009-10 - £547,000). The House of Lords incurred expenditure of £464,000 (2009-10 - £501,000) on behalf of the House of Commons during 2010-11. At the financial year end the amount owed to the House of Lords by the House of Commons was £32,000 (2009-10 - £35,000).

No Management Board member has undertaken any material related party transactions with the House of Lords during the year.

25. The House of Lords Security Fund Account

Prior to 1 October 2009, in all civil cases where an Appeal was brought to the House of Lords under the provisions of the Appellate Jurisdiction Act 1876, Appellants had to provide security for the costs of such Appeals. The House of Lords Security Fund Account recorded the receipt, payment and disposition of the lodgements for each financial year. The sum to be lodged by the Appellants was authorised from time to time by the House Committee. The final revision was in October 2000 when it was increased from £18,000 to £25,000. No other receipts and payments were entered on the account; interest was not paid on the lodgements, nor were any fees deducted. Security Fund monies were payable to the relevant party, usually on issue of the Final Judgement or Taxation of the Bill of Costs.

The House of Lords Security Fund Account was passed over to the UK Supreme Court on 1 October 2009. The amount transferred to the UK Supreme Court was made up of 27 deposits of £25,000.

	2010-11	2009-10
	£000	£000
Opening balance of Fund at 1 April	-	1,249
Add: receipts – Lodgements by Appellants	-	175
Less: repayments to Appellants/Respondents	-	(749)
Less: amounts paid over to UK Supreme Court	-	(675)
Closing balance of Fund at 31 March	-	-

Notes to the Resource Accounts - *continued*

26. House of Lords Catering and Retail Services Trading Activities

The House of Lords Catering and Retail Services provide 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 55.7% of sales in 2010-11 (2009-10 – 56.8%).

Catering and Retail Services 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 2010-11 amounted to £4,186,710 (2009-10 – £4,171,157). Gross profit on sales calculated according to the formula above was 81.8% (2009-10 – 80.3%) and gross profit on all sales was £2,680,370 (2009-10 - £2,562,971).

Further performance targets for trading in individual outlets of the department have been agreed, and are reviewed annually, by the Refreshment Committee. An overall cost target is set by the Management Board each financial year; progress towards it is monitored by the CRS profitability sub-group throughout the year.

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 1 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.

	2010-11	2009-10
	<u>£000</u>	<u>£000</u>
Opening balance of Fund at 1 April	63	97
Add receipts:		
Grant from RfR	50	50
	<u>113</u>	<u>147</u>
Less: Purchases during the year (see below)	18	84
Closing Balance of Fund as at 31 March	<u>95</u>	<u>63</u>

Notes to the Resource Accounts - continued

Purchases during the year (which are included within additions in property, plant and equipment, note 11):

Description	£
Study of the last Judgment of the Law Lords <i>Oil on canvas by Sergei Pavlenko</i>	5,000
Commemorative King's Champion/Queen Caroline Plate <i>Pearlware nursery plate, circa 1821, with equestrian portrait of Henry Dymock overprinted over portrait bust of Queen Caroline</i>	663
View of the Houses of Parliament <i>Watercolour by Walter Duncan, circa 1880/90</i>	1,300
Armada Paintings Project <i>Completion of small preparatory canvases by Anthony Oakshett</i>	1,650
Portrait of Sir Thomas Duppa (Black Rod 1683-94) <i>Oil on canvas, circle of Willem Wissing</i>	5,500
Two views of the Old Palace of Westminster <i>Pencil drawings by William Brakspear</i>	180
Illustration of the Trial of Charles I <i>Engraving from Nalson's Record of the Trial... 1688</i>	180
Portrait of George Savile, Marquess of Halifax <i>Oil on Canvas by Mary Beale</i>	13,500
House of Lords Members Library Commission for Millbank Island Site <i>Commission of furniture designer Fred Baier</i>	10,000
Cancelled commission of the portrait of Lord Strathclyde	(10,000)
Cancelled commission of the portrait of Lord Bingham of Cornhill	(10,000)
Total	17,973

28. Events after the reporting period

In accordance with the requirements of IAS 10, *Events after the reporting period* are considered up to the date on which the accounts are authorised for issue. This is interpreted as at the date of the Certificate and Report of the Comptroller and Auditor General.

In the Accounting Officer's opinion there have been no events since 31 March 2011 that would affect the financial statements.

Remuneration Report 2010-11

The Clerk of the Parliaments, David Beamish (since 16 April 2011), 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 2010-11 members were as follows:

- Sir Michael Pownall KCB – Clerk of the Parliaments (retired 15 April 2011)
- David Beamish – Clerk Assistant and Clerk of Legislation
- Rhodri Walters – Reading Clerk
- Lieutenant-General Sir Freddie Viggers KCB CMG MBE – Gentleman Usher of the Black Rod and Serjeant-at-Arms (*resigned 25 October 2010*)
- Lieutenant-General David Leakey CMG CBE – Gentleman Usher of the Black Rod and Serjeant-at-Arms (*appointed 1 February 2011*)
- 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 other 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.

Remuneration Report 2010-11 - continued**Salary and pension entitlements**

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

	2010-11			2009-10		
	Salary £000	NCPRP £000	Benefits in kind (to nearest £100)	Salary £000	NCPRP £000	Benefits in kind (to nearest £100)
Sir Michael Pownall KCB <i>Clerk of the Parliaments (retired 15 April 2011)</i>	170-175	N/A	-	170-175	N/A	-
David Beamish <i>Clerk Assistant</i>	110-115	0-5	-	110-115	5-10	-
Rhodri Walters <i>Reading Clerk</i>	105-110	0-5	-	105-110	0-5	-
Lieutenant-General Sir Freddie Viggers KCB CMG MBE <i>Gentleman Usher of the Black Rod</i> (resigned 25 October 2010)	65-70 (80-85 full year equivalent)	0-5	see below	75-80 (80-85 full year equivalent)	0-5	see below
Lieutenant-General David Leakey CMG CBE - <i>Gentleman Usher of the Black Rod (appointed 1</i> <i>February 2011)</i>	10-15 (85-90 full year equivalent)	0-5	see below	-	-	-
Simon Burton <i>Director of Human Resources</i>	70-75	0-5	-	70-75	0-5	-
Philippa Tudor <i>Finance Director</i>	85-90	0-5	-	85-90	5-10	-
Elizabeth Hallam Smith <i>Director of Information Services and Librarian</i>	105-110	0-5	-	105-110	0-5	-
Carl Woodall <i>Director of Facilities</i>	95-100	0-5	-	90-95	0-5	-
Joan Miller <i>Director of Parliamentary Information</i> <i>Communications and Technology</i>	100-105	0-5	-	100-105	0-5	-

Figures audited by the National Audit Office

a. Salary

'Salary' includes gross salary; 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. NCPRP

The Non-Consolidated Performance Related Payments (NCPRPs) are based on performance levels attained and are awarded as part of the appraisal process. NCPRPs relate to the year in which they are paid i.e. the NCPRPs reported in 2010-11 relate to performance in 2009-10 and the comparative NCPRPs reported for 2009-10 relate to performance in 2008-09. The Clerk of the Parliaments is not eligible for NCPRPs.

c. 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 2010-11 the taxable benefit for the residence was £868 for Lieutenant-General David Leakey CMG CBE and £2,548 (2009-10 - £4,030) for Lieutenant-General Sir Freddie Viggers KCB CMG MBE.

d. 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 represent the total remuneration package paid between the two Houses.

Remuneration Report 2010-11 - continued

Pensions

The pension benefits of the Management Board were as follows:

	Accrued pension and related lump sum at 31/3/11 £000	Real increase in pension and related lump sum at 31/3/11 £000	CETV at 31/3/11 £000	CETV at 31/3/10 £000	Real increase in CETV £000
Sir Michael Pownall KCB <i>Clerk of the Parliaments (retired 15 April 2011)</i>	85-90 <i>Plus lump sum of 255-260</i>	-2.5-0 <i>Plus lump sum of -2.5-0</i>	2,055	1,938	-4
David Beamish <i>Clerk Assistant</i>	50-55 <i>Plus lump sum of 155-160</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	1,220	1,081	2
Lieutenant-General Sir Freddie Viggers KCB CMG MBE <i>Gentleman Usher of the Black Rod (resigned 25 October 2010)</i>	0-5 <i>Plus lump sum of N/A</i>	0-2.5 <i>Plus lump sum of N/A</i>	44	25	17
Lieutenant-General David Leakey CMG CBE - <i>Gentleman Usher of the Black Rod and (appointed 1 February 2011)</i>	0-5 <i>Plus lump sum of N/A</i>	0.2.5 <i>Plus lump sum of N/A</i>	5	-	5
Rhodri Walters <i>Reading Clerk</i>	55-60 <i>Plus lump sum of 165-170</i>	0-2.5 <i>Plus lump sum of 2.5-5</i>	1,322	1,222	24
Philippa Tudor <i>Finance Director</i>	30-35 <i>Plus lump sum of 100-105</i>	0-2.5 <i>Plus lump sum of 5-7.5</i>	650	541	31
Elizabeth Hallam Smith <i>Director of Information Services and Librarian</i>	40-45 <i>Plus lump sum of 125-130</i>	0-2.5 <i>Plus lump sum of 2.5-5</i>	1,009	892	38
Simon Burton <i>Director of Human Resources</i>	30-35 <i>Plus lump sum of 95-100</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	492	429	-1
Carl Woodall <i>Director of Facilities</i>	5-10 <i>Plus lump sum of N/A</i>	2.5-5 <i>Plus lump sum of N/A</i>	82	46	19
Joan Miller <i>Director of Information Communications and Technology</i>	10-12.5 <i>Plus lump sum of 0-5</i>	2.5-5 <i>Plus lump sum of 0-2.5</i>	231	155	67

Figures audited by the National Audit Office

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 line with Pension Increase Legislation. 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.

Remuneration Report 2010-11 - continued

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 pensionable earnings during the 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 Pension Increase Legislation. 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 House of Lords Staff Pension Scheme 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.

David Beamish

Clerk of the Parliaments and Accounting Officer

14 July 2011

