



HOUSE *of* LORDS

Resource Accounts
2005-06

(FOR THE YEAR ENDED 31st MARCH 2006)

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Foreword to the Accounts

Scope

The House of Lords Administration presents the accounts of the House of Lords for the financial year ended 31st March 2006. The Resource Accounts contain the financial statements relating to the House of Lords Members' expenses and administration etc. Request for Resources, which includes catering and works services expenditure. Information is also included, by way of notes, on the House of Lords Security Fund, the House of Lords Works of Art Collection Fund and the House of Lords Refreshment Department trading activities.

Aims and Objectives

The aim of the House of Lords Administration is to enable the House, together with its Members, to carry out its parliamentary and judicial functions fully and effectively, and to give value for money.

The four objectives of the House of Lords Administration are:

- To ensure that the House and its committees have the necessary procedural, information, research, administrative and security support to meet at any time and in any circumstances.
- To provide all Members of the House (and their staff) with the services they need, including appropriate accommodation and facilities, in support of their parliamentary and judicial duties, regardless of party or office.
- To provide the public with information and with access to the proceedings of the House, so as to enhance awareness and understanding of the House's work.
- To maintain the heritage and integrity of the House's building, objects and documents.

Principal Activities

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

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

Management Commentary

a. Significant events during the year

Supreme Court and Lord Chancellor

The Constitutional Reform Act 2005 provides for the establishment of a new Supreme Court and for the removal to that Court of the judicial functions of the House of Lords. It is currently expected that the new Supreme Court will be established in October 2009. The first members of the Supreme Court will be the then current Lords of Appeal in Ordinary, who will be disqualified from sitting or voting in the House of Lords for their term of office as judges of the Supreme Court.

The Act also removes the legal linkage between the office of Lord Chancellor and that of the Speaker of the House of Lords. Following the passing of the Act, Lord Falconer of Thoroton remained in office as Lord Chancellor and as such, *ex officio* Speaker of the House of Lords, but a future Lord Chancellor need not be a member of the House.

Lord Speaker

In July 2005 the House approved in principle the replacement of the Lord Chancellor as Speaker of the House by an elected speaker. The role of Lord Speaker will be distinct from the Lord Chancellor's current duties as speaker and it will be independent of government. The Lord Speaker, unlike the Lord Chancellor, will be elected by the House rather than appointed by the Prime Minister and will not be a member of the Cabinet nor be responsible for a government department. The Lord Speaker will not have a judicial role in the House.

Accommodation

A new visitor reception building is being constructed on the north side of Cromwell Green as part of the bi-cameral approach to provide a more visitor-friendly welcome to Parliament. The planning of work required to redevelop the Millbank Island site as a single unified building commenced and work on the site is planned to begin in 2008.

The Parliamentary ICT Service (PICT)

A bicameral Parliamentary ICT Service (PICT) came into being at the beginning of January 2006. At present all staff of PICT are employed by one or other House, but a bill has been drafted to enable PICT to be set up as a truly bicameral body, and it will be introduced when the Government is able to make available Parliamentary time for it.

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

Following the poll on 28th June 2006, the Baroness Hayman was elected Lord Speaker on 4th July 2006.

c. House of Lords Annual Report

Each year the House of Lords publishes an Annual Report which provides an overview of the work of the House. The House of Lords Business Plan 2006-09 (HL Paper 120), sets out services to be provided by the administration. Both are published on behalf of the House of Lords by The Stationery Office and are available via bookshops and on the internet (www.parliament.uk).

d. Operating and Financial Review

The House of Lords Administration's outturn on net total resources for 2005-06 was £106,382,000 which was £6,836,000 lower than the Estimate. The main explanations for this variation against the Estimate are:

- Delays in major works projects
- Lower than budgeted operational costs associated with sittings of the House, due to the General Election at the start of the financial year
- Depreciation/capital charges associated with the valuation of the Parliamentary Estate
- Overprovision for costs relating to the House of Lords Staff Pension Scheme
- Lower than budgeted expenditure on ICT due to delays in projects and lower than expected take-up of IT equipment by Members

The House sat for only one week at the start of the financial year before Parliament was prorogued on 7th April and dissolved on 11th April for the General Election. As a result the number of sitting days was reduced.

The House sat on 132 days in 2005-06 (152 – 2004-05) and the average length of sitting was 6 hours 39 minutes (7 hours 13 minutes – 2004-05). Attendance levels increased by 6% over the previous year.

Further details on the activities of the House of Lords in 2005-06 are contained in the *Annual Report* and in the booklet *The Work of the House of Lords* - both are available on the internet at www.parliament.uk

e. Management

Members of the House of Lords (except ministers, certain office holders and Lords of Appeal in Ordinary) do not receive a salary. They are entitled to recover travel and certain other expenses incurred in connection with their parliamentary duties. Members other than ministers and certain office holders are entitled to recover, up to a specified maximum, the cost of overnight accommodation, subsistence and office costs certified by them as incurred for the purpose of their parliamentary duties at sittings of the House and its committees. Three Members – the Chairman of Committees, Principal Deputy Chairman of Committees and the Lord Chancellor (for that part attributable to his duties as Speaker of the House) – are eligible for a salary paid from House of Lords' funds. The eligible salaries for 2005-06 were as follows:

Lord Chancellor (as Speaker of the House of Lords)	£29,946
Chairman of Committees (including £1,667 London Supplement)	£81,049
Principal Deputy Chairman of Committees (including £1,667 London Supplement)	£75,932

The salaries of the three Office Holders shown above are reviewed and adjusted annually in line with Senior Civil Service pay.

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

f. Pensions

Present and past employees of the House of Lords are covered by the provisions of the House of Lords Staff Pension Scheme (HOLSPS). The scheme is an unfunded defined benefit scheme which is operated 'by analogy' with the Principal Civil Service Pension Scheme. The balance sheet includes a provision against which future pension benefits will be charged when paid. The annual accruing cost of benefits is charged to the operating cost statement (see notes 1.12 and 13).

Public Interest and Other

Equal Opportunities, Diversity and Disability

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

Payments to Suppliers

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

Payments with regard to Works Services are made in the first instance by the House of Commons. The calculation of payment performance for 2005-06 has been based on continuous monitoring of payments throughout the year. On this basis 99.21% of payments made by the House of Lords met the policy criteria.

Staff Issues

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

Auditor

The Comptroller and Auditor General is the external auditor for the House of Lords. The notional audit fee for 2005-06 was £106,000 (2004-05 – £106,000). No further assurance or advisory services were provided by the auditors.

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

Paul Hayter

Clerk of the Parliaments and Accounting Officer

21st July 2006

Statement of Accounting Officer's Responsibilities

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

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

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

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts;
- 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 the Accounting Officers' Memorandum, issued by the Treasury and published in *Government Accounting*.

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.

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 all 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.

Capacity to Manage Risk

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

Each of the corporate risks of the House of Lords Administration has a nominated risk owner on the Management Board. These officials are responsible for ensuring that the risks allocated to them are managed effectively in accordance with the Administration's risk strategy and are reported to the Board according to an established timetable. Although this timetable sets the frequency of risk reporting under normal operational circumstances, risk owners are expected to report immediately any material increase in the perceived level of exposure.

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

The Risk and Control Framework

The Management Board, the Audit Committee and the House Committee have all contributed to the development of the risk and control framework. The Management Board has primary responsibility for development of the risk management policy, for setting the Administration's risk tolerance, and for developing appropriate and effective strategies for the management of corporate risks. The Audit Committee has responsibility for reviewing the Administration's approach to risk and for evaluating the efficacy of related managerial actions and decisions. The Audit Committee provides assurances on the effectiveness of risk management to me, as Accounting Officer, and, where necessary, to the House Committee. Following its formal adoption of the corporate risks, the House Committee has maintained oversight of corporate governance developments and would be required to endorse any significant change of policy in this area.

All House of Lords Offices are required to maintain separate risk registers and 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. A separate operational section details any local risks that are considered to have the potential to threaten the delivery of Office objectives. For each risk detailed, both corporate and local, there is a numerical assessment of the level of exposure and an identified Office level risk owner. Heads of Offices are expected 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 monitoring role exercised by Internal Audit and the review role of the Business Planning Group, are included as an annex to the House of Lords risk strategy.

The system of internal control has been in place for the full year ended 31st March 2006 and up to the date of the approval of the accounts and accords with Treasury Guidance in all major aspects of House of Lords administration. I believe it has introduced an appropriate and proportionate level of control to all operational activities for which I am responsible.

Internal Financial Control

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

All payments made by the House of Lords in respect of current and capital works services take the form of reimbursement to the House of Commons of expenditure incurred on behalf of the House of Lords. Although the House of Lords Internal Auditor includes the activities of the Parliamentary Works and Estates Directorates within his annual programme of work, he does not generally have direct access to certain financial operations undertaken by the House of Commons and subject to audit by the House of Commons Internal Review Service. Accordingly, I have received a statement of assurance from the Accounting Officer of the House of Commons regarding the adequacy of accounting procedures used to determine the level of expenditure charged to the House of Lords, and of the system for periodically reviewing such procedures.

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

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

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control and for ensuring continuous improvement. The review process is informed by the work of internal audit, by 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 assessing the effectiveness of the internal control system I am also guided by the views of the Audit Committee and the Management Board.

Paul Hayter
Clerk of the Parliaments and Accounting Officer

21st July 2006

Certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the House of Lords for the year ended 31 March 2006. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the House of Lords Financial Reporting Manual. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Foreword is not consistent with the financial statements, if the House has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 8 to 10 reflects the House of Lords' application of best practice guidance on corporate governance including, amongst other sources, the Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the House's corporate governance procedures or its risk and control procedures.

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

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

Basis of audit opinion

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, of the state of the House of Lords' affairs as at 31 March 2006 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the House of Lords Financial Reporting Manual; and
- 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.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

24th July 2006

Statement of Parliamentary Supply

Summary of Resource Outturn 2005-06

Request for Resources	Note	Estimate			2005-06 £000				2004-05 £000
		Gross Expenditure	A in A	Net Total	Outturn			Outturn	
					Gross Expenditure	A in A	Net Total	Net Total outturn compared with Estimate: saving/(excess)	Net Total
Members' expenses and administration etc.	2	118,822	(5,604)	113,218	111,748	(5,366)	106,382	6,836	90,766
Total resources	3	118,822	(5,604)	113,218	111,748	(5,366)	106,382	6,836	90,766
Non-operating cost A in A				-			-	-	-

Summary of net cash requirement 2005-06

	Note	2005-06 £000			2004-05 £000
		Estimate	Outturn	Net Total outturn compared with Estimate: saving/(excess)	Outturn
Net cash requirement	4	73,191	66,088	7,103	125,177

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))

	Forecast 2005-06 £000		Outturn 2005-06 £000	
	Income	Receipts	Income	Receipts
Total	-	-	1,604	<i>1,604</i>

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

The notes on pages 18 to 34 form part of the accounts

Operating Cost Statement

for the year ended 31 March 2006

	Note	2005-06 £000	2004-05 £000
Programme Costs			
Staff costs	5	16,547	15,535
Expenditure	6	95,201	79,837
Income	7	(5,366)	(4,606)
Totals		106,382	90,766
Net Operating Cost	3	106,382	90,766

Statement of Recognised Gains and Losses

for the year ended 31 March 2006

	Note	2005-06 £000	2004-05 £000
Actuarial loss and adjustments on pension commitments	13	(6,660)	(548)
Net gain on revaluation of tangible fixed assets	15a	12,592	41,717
Recognised gains and losses for the financial year		5,932	41,169

Balance Sheet

as at 31 March 2006

	Note	2006 £000	2005 £000
Fixed assets:			
Tangible assets	8	537,855	543,121
Intangible assets	9	1,072	228
Current assets:			
Stocks		185	199
Debtors	10	2,988	5,200
Cash at bank and in hand	11	772	1,827
		<hr/> 3,945	<hr/> 7,226
Creditors (amounts falling due within one year)	12	(5,214)	(5,976)
Net current assets		<hr/> (1,269)	<hr/> 1,250
Total assets less current liabilities		537,658	544,599
Creditors (amounts falling due after more than one year)	12	-	(127)
Provisions for liabilities and charges	13	(59,670)	(49,350)
		<hr/> 477,988	<hr/> 495,122
Taxpayers' equity:			
General fund	14	275,740	305,439
Revaluation reserve	15a	202,031	189,466
Donated asset reserve	15b	217	217
		<hr/> 477,988	<hr/> 495,122

Paul Hayter
Clerk of the Parliaments and Accounting Officer

21st July 2006

Cash Flow Statement**for year ended 31 March 2006**

	Note	2005-06 £000	2004-05 £000
Net cash outflow from operating activities	16a	(62,291)	(71,265)
Capital expenditure and financial investment	16b	(3,797)	(53,912)
Receipts due to the Consolidated Fund which are outside the scope of the House's activities		1,604	-
Payments of amounts due to the Consolidated Fund		(1,604)	-
Financing	16c	65,033	122,386
Decrease in cash in the period	16d	(1,055)	(2,791)

The notes on pages 18 to 34 form part of the accounts

Statement of Operating Costs by Aim and Objectives

for the year ended 31 March 2006

Aim: To enable the House, together with its members, to carry out its parliamentary and judicial functions fully and effectively, and to give value for money.

	2005-06			2004-05		
	Gross	Income	Net	Gross	Income	Net
Objective 1	14,904	(873)	14,031	14,090	(926)	13,164
Objective 2	46,241	(2,605)	43,636	41,150	(2,572)	38,578
Objective 3	4,178	(413)	3,765	4,123	(431)	3,692
Objective 4	46,425	(1,475)	44,950	36,009	(677)	35,332
Net operating costs	111,748	(5,366)	106,382	95,372	(4,606)	90,766

The House of Lords' objectives were as follows:

- Objective 1 To ensure that the House and its committees have the necessary procedural, information, research, administrative and security support to meet at any time and in any circumstances.
- Objective 2 To provide all Members of the House (and their staff) with the services they need, including appropriate accommodation and facilities, in support of their parliamentary and judicial duties, regardless of party or office.
- Objective 3 To provide the public with information and with access to the proceedings of the House, so as to enhance awareness and understanding of the House's work.
- Objective 4 To maintain the heritage and integrity of the House's buildings, objects and documents.

See Note 17

Notes to the resource accounts

1. Statement of accounting policies

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

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

The Palace of Westminster is a Royal Palace and is under the joint stewardship of the House of Lords and the House of Commons. Responsibility for maintenance of the Palace and the Parliamentary Estate is a function resting with the Parliamentary Estates Directorate and the Parliamentary Works Services Directorate within the Serjeant at Arms' Department 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 and Administration in the House of Commons. Expenditure is then recharged to the House of Lords over the course of the year.

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

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

1.1 Accounting convention

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

1.2 Basis of consolidation

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

1.3 Fixed Assets

The minimum level for the capitalisation of both tangible and intangible fixed assets is £1,000.

i. Land and Buildings

Land and buildings shown in the accounts are as follows:

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

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

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

Notes to the resource accounts - *continued*

ii. Antique Furniture

The antique furniture was professionally valued at 31st March 1998. Each year the Furniture Manager in the Parliamentary Works Services Directorate carries out an internal review to assess if any revaluation adjustment is required.

iii. Plant and Machinery

Plant and Machinery comprises the clock mechanism in the Clock Tower, popularly known as 'Big Ben'. It has been revalued using an appropriate index obtained from the Office for National Statistics MM17 '*Price index numbers for current cost accounting*'.

iv. Other Tangible Assets

Other tangible assets have been stated at current cost using appropriate indices. The indices are obtained from the Office for National Statistics MM17 '*Price index numbers for current cost accounting*'.

v. Assets in the Course of Construction

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

vi. Intangible Fixed Assets

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

1.4 Non-Operational Heritage Assets

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

i. Works of Art Collection

Parliament has collected Works of Art since 1841, depicting parliamentary institutions and statesmen and stateswomen. The collection originally consisted of works of art commissioned by the Fine Arts Commission, with the purpose of bringing the history of the nation to life on the walls of the interiors of the Houses of Parliament. Many of the works added later were acquired as donations from Members of both Houses. Until 1991 the collection was held jointly by both Houses of Parliament; at that date the works were nominally split between the two Houses on the basis of where works were situated at that date. However, this split did not necessarily reflect actual ownership at the date of acquisition, or the locations for which the works were originally commissioned or intended. The total size of the collection is disclosed in a footnote to note 8.

Details of the House of Lords Works of Art Collection Fund are contained in note 26.

ii. The Parliamentary Archives

The Parliamentary Archives comprise several million documents that have been preserved at the Palace of Westminster from 1497 in a variety of formats, from vellum and parchment to modern computer disk. Parliamentary records prior to 1497 form part of The National Archives. The records are predominantly unique and irreplaceable and have been preserved for their historical, legal and administrative value. The Record Office was established in the House of Lords in 1946, and became a shared facility with the House of Commons in 1999. Renamed the Parliamentary Archives in 2006, the office publishes an Annual Report which is available via www.parliament.uk.

iii. Early Printed Books

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

Notes to the resource accounts - *continued*

iv. Members' Robes

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

1.5 Depreciation and Amortisation

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

Palace of Westminster	88 years
Other buildings	remaining life (between 24-37 years)
Fixtures and fittings	10 years
Refreshment Department silverware	20 years
Broadcasting equipment	10 years
Telephone equipment	5-10 years
General office equipment	5-10 years
Computer file servers and software	3-5 years
Other IT equipment	3-4 years

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

1.6 Stock and work in progress

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

1.7 Research and Development

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

1.8 Income

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

1.9 Administration and programme expenditure

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

1.10 Capital charge

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

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

Notes to the resource accounts - *continued*

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 5. The pension scheme is accounted for under the terms of *FRS 17 Retirement Benefits*. The annual accruing cost of providing for future benefits is charged to the operating cost statement and is based upon rates determined by the Government Actuary and advised by HM Treasury. These rates were in the range of 16.2-24.6% of pensionable pay. A provision to meet the liability is included on the balance sheet.

The HOLSPS contains particular arrangements in respect of employees who retire early on medical or structural grounds. These costs are identified separately in the accounts.

1.13 Leases

Operating lease rentals are charged to the operating cost statement over the lease term.

The House of Lords holds two properties on 999 year leases, which are capitalised and depreciated over the useful life of the buildings.

1.14 Grants payable

The House of Lords makes an annual grant to the History of Parliament Trust: 2005-06 £288,640 (2004-05 £287,600).

1.15 Third-party assets

The House of Lords Security Fund Account holds monies lodged as security on civil appeals to the House of Lords. The monies in the account are always repaid to one of the parties to the appeal, the House of Lords receiving no benefit. These are categorised as Third Party Assets and the information relating to the House of Lords Security Fund Account is contained in note 24. The Fund has not been included in the list of assets and liabilities on the balance sheet.

The House of Lords Refreshment Department receives and pays gratuities on behalf of its staff; for 2005-06 the amount paid was £249,000 (2004-05 – £329,000). The balance held at the end of the financial year was £37,000.

1.16 Contingent Liabilities

Potential contingent liabilities are reviewed each year and disclosed in a note to the accounts (see note 21).

In addition to contingent liabilities disclosed in accordance with FRS 12, the House discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Government Accounting. Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated in the amounts reported to Parliament.

Notes to the resource accounts - *continued***2. Analysis of net resource outturn by section**

						Outturn	2005-06 £000	2004-05 £000	
	Admin	Other current	Grants	Gross resource Expenditure	A in A	Net Total	Estimate	Prior- year outturn	
Request for resources 1: Members' expenses and administration, etc.							Net Total	Net Total outturn compared with Estimate	Prior- year outturn
Administration	-	53,150	289	53,439	(4,147)	49,292	52,739	(3,447)	45,145
Works Services	-	57,099	-	57,099	(1,219)	55,880	59,233	(3,353)	44,450
Administration (AME)	-	1,210	-	1,210	-	1,210	1,246	(36)	1,171
Total	-	111,459	289	111,748	(5,366)	106,382	113,218	(6,836)	90,766

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

3. Reconciliation of net resource outturn to net operating cost

		2005-06 £000	2004-05 £000		
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	2	106,382	113,218	(6,836)	90,766
Non-supply income (CFERs)		-	-	-	-
Net operating cost		106,382	113,218	(6,836)	90,766

4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with estimate: saving/(excess) £000
Resource Outturn		113,218	106,382	6,836
Capital				
Acquisition of fixed assets	8,9	4,660	3,797	863
Non operating A in A				
Proceeds of fixed asset disposals		-	-	-
Accruals adjustments				
Non-cash items	6	(42,053)	(41,070)	(983)
Changes in working capital other than cash	16a	(1,648)	(2,391)	743
Use of provision	13	(986)	(630)	(356)
Excess cash receipts surrenderable to the Consolidated Fund		-	-	-
Net cash requirement		73,191	66,088	7,103

Notes to the resource accounts - *continued***5. Staff numbers and related costs**

Staff costs comprise:

	2005-06	2004-05
	£000	£000
Wages and salaries	12,723	12,272
Social security costs	1,131	1,055
Other pension costs	3,065	2,426
Sub Total	16,919	15,753
Less recoveries in respect of outward secondments	(372)	(218)
Total net costs*	16,547	15,535

*Of the total, £000 has been charged to capital

The House of Lords Staff Pension Scheme (HOLSPS) is an unfunded defined benefit scheme which is operated 'by analogy' with the Principal Civil Service Pension Scheme. The House of Lords meets the costs of all benefits. A provision to meet the liability is included on the balance sheet. The HOLSPS is a 'by analogy' scheme with less than 1000 members. The Government Actuary's Department has devised a model to assist organisations with small 'by analogy' to the PCSPS schemes to value their liabilities. The amount in the financial statements has been calculated using this valuation method. The date of valuation is 31st March 2006.

For 2005-06, employers' contributions of £2,269,866 were accrued at rates in the range 16.2 to 24.6% of pensionable pay, based on salary bands. The rates are reviewed every four years by the Government Actuary and advised by the Treasury. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred.

Employees joining after 1st October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £14,121 were paid to one or more of a panel of appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% of pensionable pay. Contributions due to the partnership pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil.

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

Average number of persons employed

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

	2005-06	2004-05
House of Lords Administration	413	412

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

Notes to the resource accounts - *continued***6. Expenditure**

	Note	2005-06 £000	2004-05 £000
Rentals under operating leases		741	1,797
Non-cash items			
Depreciation	8	6,995	5,362
Amortisation	9	328	151
Loss on disposal of fixed assets		15	4
Loss on revaluation of fixed assets		13,474	8
Cost of Capital Charges		17,122	15,766
Auditors' remuneration and expenses		106	106
Interest cost on provisions	13	3,030	2,786
<i>Total non-cash items</i>		<i>41,070</i>	<i>24,183</i>
Members' Expenses		15,613	14,429
Security		9,112	8,122
Estates & Works expenditure		18,327	21,014
Other expenditure		10,338	10,292
Total		95,201	79,837

7. Income

	2005-06 £000	2004-05 £000
Refreshment Department sales	2,830	3,391
Pension contributions and transfers in	705	516
Judicial fees and taxation	570	604
Fees, charges and rental income	1,261	95
	5,366	4,606

Notes to the resource accounts - *continued***8. Tangible fixed assets**

	Land & Buildings	Fixtures & Fittings	Information Technology	Plant & Machinery	Heritage Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 st April 2005	891,877	1,436	6,122	1,281	19,005	573	920,294
Additions	1,822	185	612	-	31	557	3,207
Disposals	-	(6)	(226)	-	-	-	(232)
Reclassifications	-	-	(19)	-	-	(573)	(592)
Revaluations	12,261	(298)	(248)	12	-	-	11,727
At 31st March 2006	905,960	1,317	6,241	1,293	19,036	557	934,404
Depreciation							
At 1 st April 2005	372,650	526	3,997	-	-	-	377,173
Charged in year	6,209	118	668	-	-	-	6,995
Disposals	-	(5)	(223)	-	-	-	(228)
Reclassifications	-	-	-	-	-	-	-
Revaluations	12,714	(42)	(63)	-	-	-	12,609
At 31st March 2006	391,573	597	4,379	-	-	-	396,549
Net book value at 31st March 2006	514,387	720	1,862	1,293	19,036	557	537,855
Net book value at 31 st March 2005	519,227	910	2,125	1,281	19,005	573	543,121

Analysis of Land and Buildings

	Land		Buildings		Dwellings	Total
	Freehold	Long Leasehold	Freehold	Long Leasehold		
	£000	£000	£000	£000		
Cost or valuation						
At 1 st April 2005	87,516	11,417	742,040	49,164	1,740	891,877
Additions	-	-	1,623	199	-	1,822
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluations	(16,248)	10,703	31,194	(13,129)	(259)	12,261
At 31st March 2006	71,268	22,120	774,857	36,234	1,481	905,960
Depreciation						
At 1 st April 2005	-	-	372,008	560	82	372,650
Charged in year	-	-	4,426	1,745	38	6,209
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluations	-	-	12,968	(172)	(82)	12,714
At 31st March 2006	-	-	389,402	2,133	38	391,573
Net book value at 31st March 2006	71,268	22,120	385,455	34,101	1,443	514,387
Net book value at 31 st March 2005	87,516	11,417	370,032	48,604	1,658	519,227

Notes to the resource accounts - continued*Land and buildings*

The Parliamentary Estate was re-valued during 2005-06 by the Valuation Office Agency. The valuation date was 31st March 2006. The Palace of Westminster was re-valued on the basis of Depreciated Replacement Cost. The total value of the Palace as at 31st March 2006 was £1,133,883,000 (House of Lords share £453,553,000). The remainder of the Parliamentary Estate was re-valued using Existing Life Use.

Fixtures and Fittings

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

Plant and Machinery

The clock mechanism, popularly known as 'Big Ben', was last valued as at 31st March 2006 using appropriate indices from the Office of National Statistics publication MM17 'Price index numbers for current cost accounting'. The total value was £3,234,000 (House of Lords share £1,293,000).

Works of Art

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

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

Additions purchased since 1st April 2000 are capitalised and included in Heritage Assets. The value of Works of Art as at 31st March 2006 was £324,500. Details of the Works of Art Collection Fund are in note 26.

9. Intangible fixed assets

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

	2005-06	2004-05
	£000	£000
Cost or valuation		
At 1 st April	761	580
Additions	590	181
Reclassifications	592	-
Disposals	(18)	-
Revaluation	-	-
At 31st March	1,925	761
Amortisation		
At 1 st April	532	382
Charged in year	328	151
Disposals	(7)	-
Revaluation	-	-
At 31st March	853	533
Net book value at 31st March	1,072	228

Notes to the resource accounts - *continued***10. Debtors**

	2005-06	2004-05
	£000	£000
Amounts falling due within one year:		
Trade debtors	328	294
Deposits and advances	1,382	112
Prepayments and accrued income	1,278	674
VAT	-	4,120
	2,988	5,200

11. Cash at bank and in hand

	2005-06	2004-05
	£000	£000
Balance at 1 April	1,827	4,618
Net change in cash balances	(1,055)	(2,791)
Balance at 31 March	772	1,827

The following balances at 31 March were held at:

Office of HM Paymaster General	425	1,751
Commercial banks and cash in hand	347	76
Balance at 31 March	772	1,827

12. Creditors

	2005-06	2004-05
	£000	£000
Amounts falling due within one year		
Trade creditors	552	543
Other creditors	2,130	1,833
VAT	37	-
Accruals and deferred income	1,723	1,773
Amounts issued from the Consolidated Fund for supply but not spent at year end	772	1,827
	5,214	5,976
Amounts falling due after more than one year	-	127

Notes to the resource accounts - *continued***13. Provisions for liabilities and charges**

The provision for future pension payments and early departure costs is as follows:

	Pension commitments	Early Departure Costs	Total Provision
	£000	£000	£000
Value of liabilities at 1 st April 2005	49,293	57	49,350
Overnight increase in scheme liabilities	6,430	-	6,430
Current service cost (net of employee contributions)	2,330	-	2,330
Employee contributions	394	-	394
Actuarial losses (gains)	230	-	230
Less benefits paid	(2,190)	(46)	(2,236)
Add net individual transfers in	142	-	142
Interest cost on provision	3,028	2	3,030
Balance at 31st March 2006	59,657	13	59,670

The House of Lords Staff Pension Scheme is 'by analogy' to the Principal Civil Service Pension Scheme. The Government Actuary's Department has devised a model to assist organisations with small (less than 1000 members) 'by analogy' to the PCSPS schemes to value their liabilities. The amount in the financial statements has been calculated using this valuation method. The date of valuation is 31st March 2006 and the major assumptions used were:

Financial assumptions	31st March 2006	1st April 2005¹	31st March 2005
	%	%	%
The inflation assumption	2.5	2.5	2.5
The rate of increase in salaries	4.0	4.0	4.0
The rate of increase for pensions in payment and deferred pensions	2.5	2.5	2.5
The rate used to discount scheme liabilities	5.4	5.4	6.1
The effect of accrual during 2005-2006	Amount		
	£000		
The current service cost (net of employee contributions)	2,330		
Any past service costs	-		
Gains and losses on any settlements and curtailments	-		
The interest cost	3,030		
Actuarial gains and losses for 2005-06	Amount	%²	
	£000		
Experience losses (gains)	(69)	(0.1)	
Effect of changes in demographic and financial assumptions	299	0.5	
Total actuarial losses (gains)	230	0.4	
Liability	31st March 2006	1st April 2005¹	31st March 2005
	£000	£000	£000
Actives	30,300	29,365	25,210
Deferreds	5,435	4,390	3,700
Age Pensioners	20,015	18,605	17,260
Ill Health Pensioners	2,305	1,875	1,725
Dependant Pensioners	1,615	1,545	1,455
Total Present value of the scheme liabilities	59,670	55,780	49,350
Liability Calculation	£000		
Present Value of Scheme Liabilities at 31 st March 2005	49,350		
Overnight increase in liabilities (change in real return)	6,430		
Current Service Cost (net of employee contributions)	2,330		
Employee Contributions	394		
Interest Cost	3,030		
Actuarial Losses (Gains)	230		
Less Benefits paid	(2,236)		
Less Net Individual Transfers out	142		
Present Value of Scheme Liabilities at 31 st March 2006	59,670		

1. Details relating to the overnight change in the discount rate.

2. Here the amounts are expressed as a percentage of the present value of the scheme liabilities as at the balance sheet date.

Notes to the resource accounts - *continued***14. General Fund**

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

	2005-06	2004-05
	£000	£000
Balance at 1 April	305,439	255,686
Net Parliamentary Funding		
Drawn Down	65,033	122,386
Deemed	1,827	4,618
Year end adjustment		
Supply Creditor/(Debtor) – current year	(772)	(1,827)
Net Transfer from Operating Activities		
Net Operating Cost (Schedule 2)	(106,382)	(90,766)
CFERS repayable to Consolidated Fund	-	-
Non Cash Charges		
Cost of Capital	17,122	15,766
Auditors' remuneration	106	106
Transfer from Revaluation Reserve	27	18
Other adjustments (inc. actuarial adjustments)	(6,660)	(548)
Balance at 31 March	275,740	305,439

15. Reserves**15(a) Revaluation Reserve**

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

	2005-06	2004-05
	£000	£000
Balance at 1 April	189,466	147,767
Arising on revaluation during the year (net)	12,592	41,717
Transferred to general fund in respect of realised element of revaluation reserve	(27)	(18)
Balance at 31 March	202,031	189,466

15(b) Donated Asset Reserve

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

	2005-06	2004-05
	£000	£000
Balance at 1 April	217	217
Additions during the year	-	-
Balance at 31 March	217	217

Notes to the resource accounts - *continued***16. Notes to the Cash Flow Statement****16(a) Reconciliation of operating cost to operating cash flows**

	2005-06	2004-05
Note	£000	£000
Net operating cost	(106,382)	(90,766)
Adjustments for non-cash transactions	6 41,070	24,183
Decrease in Stock	14	30
Decrease/(Increase) in Debtors	10 2,212	(3,960)
Increase/(Decrease) in Creditors	12 165	(1,118)
<i>less movements in creditors relating to items not passing through the OCS</i>	-	-
Use of provisions	13 630	366
Net cash outflow from operating activities	(62,291)	(71,265)

16(b) Analysis of capital expenditure and financial investment

	2005-06	2004-05
Note	£000	£000
Tangible fixed asset additions	8 (3,207)	(53,731)
Intangible fixed asset additions	9 (590)	(181)
Proceeds of disposal of fixed assets	-	-
Net cash outflow from investing activities	(3,797)	(53,912)

16(c) Analysis of financing

	2005-06	2004-05
	£000	£000
From the Consolidated Fund (Supply) – current year	65,033	122,386
From the Consolidated Fund (Supply) – prior year	-	-
Net financing	65,033	122,386

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

	2005-06	2004-05
	£000	£000
Net cash requirement	(66,088)	(125,177)
From the Consolidated Fund (Supply) – current year	65,033	122,386
From the Consolidated Fund Supply – prior year	-	-
Amounts due to the Consolidated Fund received and not paid	-	-
Decrease in cash	(1,055)	(2,791)

Notes to the resource accounts - continued**17. Note to the Statement of Operating Costs by Aim and Objectives**

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

18. Capital commitments

	2005-06	2004-05
	£000	£000
Contracted capital commitments at 31 March 2006 for which no provision has been made:	1,053	590

The final payment regarding the purchase of the No1 Millbank site, amounting to £22,181,250, is payable in September 2007.

19. Commitments under leases*Operating leases*

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

	2005-06	2004-05
	£000	£000
Obligations under operating leases comprise:		
Land and buildings:		
Expiry within 1 year	-	-
Expiry after 1 year but not more than 5 years	112	-
Expiry thereafter	580	166
	692	166
Other:		
Expiry within one year	14	13
Expiry after 1 year but not more than 5 years	49	47
Expiry thereafter	-	-
	63	60

Finance Leases

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

20. Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which Parliament is financed, the House of Lords is not exposed to the degree of financial risk faced by other business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the House of Lords in undertaking its activities.

Notes to the resource accounts - continued*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

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

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

The House has entered into quantifiable contingent liabilities, relating to Works of Art on loan to the House of Lords, by offering guarantees, indemnities or by giving letters of comfort. These totalled £1,600,000 as at 31st March 2006 (31st March 2005 – £1,600,000). None of these is a contingent liability within the meaning of FRS 12 since the likelihood of a transfer of economic benefit in settlement is too remote.

22. Losses and Special Payments

No exceptional kinds of expenditure such as losses and special payments, that require separate disclosure because of their nature or amount, have been incurred (2004-05 – nil).

23. 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 Works Services Directorate, the Parliamentary Archives and the Parliamentary Communications Directorate (superseded by the Parliamentary ICT service – PICT – from 1st January 2006).

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
Accommodation and Works services	40%	60%
Communications services	15%	85%
Parliamentary archives	60%	40%
Visitor Tours	30%	70%
Broadcasting services	40%	60%

The House of Commons incurred expenditure of £25,765,000 on behalf of the House of Lords during 2005-06. The balance relating to accommodation, works and other shared services owed to the House of Lords by the House of Commons was £149,000.

The House of Lords incurred expenditure of £416,000 on behalf of the House of Commons during 2005-06. The balance owed to the House of Lords by the House of Commons was £35,000.

Additionally, specific projects are sometimes carried out on a bicameral basis. During 2005-06, the House of Lords paid the House of Commons £181,000 relating to the Parliamentary Information Management System (PIMS) project and £96,000 relating to joint and overseas committees.

Notes to the resource accounts - continued

From 1st January 2006 the management of ICT for both Houses moved to the Parliamentary Information and Communications Technology (PICT) service. Each House pays for its own IT hardware, with the costs of shared services being split on an agreed 20:80 ratio (Lords:Commons). Joint IT development projects are shared on an agreed project by project basis. Transitional charging arrangements were applied during the last three months of the 2005-06 financial year.

24. The House of Lords Security Fund Account

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

	2005-06	2004-05
	£000	£000
Opening balance of Fund at 1 st April	1,753	1,672
Add: receipts – Lodgements by Appellants	775	800
Less: repayments to Appellants/Respondents	(815)	(719)
Closing balance of Fund at 31st March	1,713	1,753

The closing balance of £1,713,000 was made up of 1 Deposit of £12,000, 7 Deposits of £18,000 and 63 Deposits of £25,000.

25. House of Lords Refreshment Department Trading Activities

The House of Lords Refreshment Department provides a wide range of catering facilities to Members and House of Lords' staff. Members may sponsor private functions, and this type of service accounted for 51.73% of sales in 2005-06.

The Refreshment Department operates under a policy first agreed between the House of Lords and HM Treasury in 1981. In accordance with this policy, the department is required to trade on the basis of 60% gross profit on all turnover. Sales of tobacco, 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 2005-06 amounted to £2,829,650. Gross profit on sales calculated according to the formula above was 71.8% and gross profit on all sales was £1,545,979.

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

Notes to the resource accounts - *continued***26. The House of Lords Works of Art Collection Fund**

The Works of Art Collection Fund was established for the purpose of acquiring works of art for the House of Lords. Prior to 1st April 1992, it was funded by grant from the Department of the Environment. For the financial years 1992-93 and 1993-94, provision was made to meet expenditure from the House of Lords Works Services Vote. With effect from 1994-95 an annual grant is made to the Works of Art Collection Fund and unspent balances of up to a maximum of £80,000 may be carried forward. The annual grant was increased to £50,000 in April 2004. The Fund is regulated by a scheme of delegation agreed by the Works of Art Committee in October 2003.

	<u>2005-06</u>	<u>2004-05</u>
	£000	£000
Opening balance of Fund at 1 st April	12	-
Add receipts:		
Grant from RfR	50	31
Net interest received	1	-
	<u>63</u>	<u>31</u>
Less: Purchases during the year (see below)	25	19
	<u>25</u>	<u>19</u>
Closing Balance of Fund as at 31 st March	<u>38</u>	<u>12</u>

Purchases during the year (which are included within additions in fixed assets note 8):

<u>Description</u>	<u>£</u>
View of Westminster <i>Watercolour by Jan Lievens</i>	8,645
View of the Exterior of the Palace of Westminster <i>Sketch in oil on canvas by David Roberts</i>	7,000
Series of 13 preparatory drawings for murals in the House of Lords <i>by Charles West Cope</i>	3,952
Preparatory drawing for mural of "Chivalry" in the House of Lords <i>by Charles West Cope</i>	550
View of Parliament and Lambeth Palace from the South Bank <i>Painting by an unknown artist</i>	315
View of Westminster Bridge <i>Watercolour drawing by Annie Martin, circa 1908</i>	300
Portrait of Charles Talbot, 1 st Duke of Shrewsbury <i>After Sir Godfrey Kneller</i>	4,500
Total	25,262

Remuneration Report 2005-06

The Clerk of the Parliaments, Paul Hayter, 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 2005-06 its members were as follows:

- Michael Pownall - Clerk Assistant and Clerk of Legislation
- David Beamish - Reading Clerk and Clerk of the Journals
- Lieutenant-General Sir Michael Willcocks, KCB - Gentleman Usher of the Black Rod and Serjeant-at-Arms
- Rhodri Walters - Clerk of Committees and Clerk of the Overseas Office
- Edward Ollard - Finance Director
- Philippa Tudor - Head of Human Resources
- Elizabeth Hallam Smith – Director of Information Services and Librarian

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

Remuneration policy

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

Salary and pension entitlements

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

	2005-06		2004-05	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Paul Hayter <i>Clerk of the Parliaments</i>	155-160	-	150-155	-
Michael Pownall <i>Clerk Assistant</i>	110-115	-	105-110	-
David Beamish <i>Reading Clerk</i>	95-100	1,400	90-95	900
Lieutenant-General Sir Michael Willcocks, KCB <i>Gentleman Usher of the Black Rod</i>	80-85	see below	80-85	see below
Rhodri Walters <i>Clerk of Committees & Clerk of the Overseas Office</i>	100-105	-	95-100	-
Edward Ollard <i>Finance Director</i>	75-80	-	75-80	-
Philippa Tudor <i>Head of Human Resources</i>	80-85	-	75-80	-
Elizabeth Hallam Smith <i>Director of Information Services and Librarian</i> <i>(from 1st February 2006)</i>	10-15 <i>(85-90 full year</i> <i>equivalent)</i>	-	n/a	n/a

Remuneration Report 2005-06 - continued

a. Salary

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

b. Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as taxable emolument. Black Rod occupies a Parliamentary Residence and for 2005-06 the taxable benefit for the residence was £4,284 (2004-05 - £4,274). David Beamish received childcare vouchers.

Pensions

The pension benefits of the Management Board were as follows:

	Accrued pension and related lump sum at 31/3/06 £000	Real increase in pension and related lump sum at 31/3/06 £000	CETV at 31/3/06 £000	CETV at 31/3/05 £000	Real increase in CETV £000
Paul Hayter <i>Clerk of the Parliaments</i>	80-85 <i>Plus lump sum of 245-250</i>	0-2.5 <i>Plus lump sum of 5-7.5</i>	1,870 ¹	1,649 ¹	48 ¹
Michael Pownall <i>Clerk Assistant</i>	45-50 <i>Plus lump sum of 145-150</i>	0-2.5 <i>Plus lump sum of 5-7.5</i>	879	810	45
David Beamish <i>Reading Clerk</i>	35-40 <i>Plus lump sum of 110-115</i>	0-2.5 <i>Plus lump sum of 2.5-5</i>	629	570	32
Lieutenant-General Sir Michael Willcocks, KCB <i>Gentleman Usher of the Black Rod</i>	0-5 <i>Plus lump sum of 10-15</i>	0-2.5 <i>Plus lump sum of 2.5-5</i>	118 ¹	84 ¹	24 ¹
Rhodri Walters <i>Clerk of Committees & Clerk of the Overseas Office</i>	40-45 <i>Plus lump sum of 120-125</i>	0-2.5 <i>Plus lump sum of 5-7.5</i>	668	607	36
Edward Ollard <i>Finance Director</i>	20-25 <i>Plus lump sum of 60-65</i>	0-2.5 <i>Plus lump sum of 2.5-5</i>	297	264	17
Philippa Tudor <i>Head of Human Resources</i>	20-25 <i>Plus lump sum of 70-75</i>	0-2.5 <i>Plus lump sum of 2.5-5</i>	347	311	22
Elizabeth Hallam Smith <i>Director of Information Service and Librarian (from 1st February 2006)</i>	0-5 <i>Plus lump sum of N/A²</i>	0-2.5 <i>Plus lump sum of N/A²</i>	3	0 ³	4

¹ Member is over 60, notional figure from CSP spreadsheet only

² notional figures only, less than 2 years qualifying service

³ CETV as 31/1/06

Pension benefits are provided through the House of Lords Staff Pension Scheme (HOLSPS). From 1st October 2002, staff may be in one of three statutory "final salary" defined benefit schemes (classic, premium or classic plus). The schemes are unfunded with the costs of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1st October 2002 may choose between membership of premium or joining a "money purchase" stakeholder based arrangement 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 and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1st October 2002 calculated broadly as per classic.

Remuneration Report 2005-06 - continued

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 selection of approved products. 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).

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 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 the disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the HOLSPS arrangements and for which the House of Lords has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1st April 2005. The CETV figure for 31st March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31st March 2006.

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.

Paul Hayter

Clerk of the Parliaments and Accounting Officer

21st July 2006