

HOUSE of LORDS

Resource Accounts

2002-2003

(For the year ended 31st March 2003)

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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 2003. The Resource Accounts consolidate the House of Lords Peers' Expenses, Administration etc. Request for Resources, including the House of Lords Refreshment Department, and the Works Services Request for Resources. 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, 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 access to 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. It plays an important part in revising legislation and scrutinising Government policy. The House of Lords appoints a number of select committees which include the European Union Committee (with 6 sub-committees), the Science and Technology Committee (with 2 sub-committees), the Constitution Committee, the Economic Affairs Committee, the Delegated Powers and Regulatory Reform Committee and other ad-hoc committees.

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). The Law Lords also take part in the parliamentary work of the House.

Members of the Lords are not elected and most are unpaid. They have a wide range of experience and provide a source of independent expertise.

Significant events during the year

House of Lords Reform

On 13th May 2002 the Lord Chancellor and the Leader of the House of Commons announced the appointment of a Joint Committee, in order to "forge the broadest possible parliamentary consensus on the way forward". The Joint Committee was asked as a first step "to report on options for the composition and powers of the House of Lords once reform has been completed".

The Committee, comprising 12 Members of each House, met for the first time in July 2002 and elected Dr Jack Cunningham MP as its Chairman. On 9th December 2002 the Joint Committee published a report setting out seven options for the future composition of the House of Lords. The report was debated in both Houses and on 4th February 2003 both Houses were asked to vote on the seven options. In the Lords, option 1 (a fully appointed chamber) was agreed to by a large majority and the other six options were all disagreed by a large majority. In the Commons none of the seven options was approved.

The Joint Committee made a Second Report, published on 9th May 2003, which identified where consensus had been achieved and where further work needed to be done. The Report concluded: "We look forward to a reply from the Government within the customary two months and then acceptance by both Houses that our work should continue on the lines we have set out." In September 2003, the Government announced that in the absence of a consensus on the composition of the House it intended to carry out a further interim reform by legislating to exclude the remaining hereditary peers.

Changes in Working Practices

In July 2001 a Group of six Members, chaired by the Leader of the House, was appointed to consider how the working practices of the House could be improved. The Group's report was published in May 2002. It was debated in the House in May and its recommendations were then considered by the Procedure Committee. After a further debate in the House in July, the changes proposed by the Committee were approved and took effect from the new Parliamentary Session in November 2002 for a trial period of two sessions. The changes include:

- the appointment by the Economic Affairs Committee of a sub-committee to consider the Finance Bill;
- a Select Committee to examine the merits of statutory instruments, with effect from the next session (2003-04) of Parliament;
- greater use of Grand Committees;
- a sitting time of 11.00am (instead of 3.00pm) on Thursdays;
- agreement that the House should normally rise not later than 10.00pm, and;
- the introduction of sittings in September (subject to specific agreement in each session).

These changes represent the most significant series of changes to the working practices of the House for many years.

Important events which have occurred since the financial year end

On 12th June 2003, the Government announced its intention to abolish the Office of Lord Chancellor and to remove the Law Lords into a new Supreme Court sitting outside Parliament. One consequence of this reform is that alternative arrangements need to be made by the House for the position of Speaker, currently held *ex officio* by the Lord Chancellor. The House accordingly appointed a Select Committee to consider the issue and to make recommendations.

House of Lords Annual Report

The House of Lords Annual Report (HL Paper 146) provides an overview of the work of the House of Lords in 2002-03, including a review of the year; reports from the offices of the House of Lords; and statistical information. It is published on behalf of the House of Lords by The Stationery Office and is available via bookshops and on the internet (www.parliament.uk)

The House Committee agreed to the first Strategic Plan, setting out the aim, objectives, core values and primary tasks, for the House of Lords Administration in March 2003.

The first annual House of Lords Business Plan, setting out services to be provided by the Administration in the period to 2006/07, was agreed by the House Committee in July 2003.

Operating and Financial Review

The House of Lords Administration's outturn on net total resources for 2002-03 was £85,817,000 which was £1,321,000 lower than the Estimate. The main explanations for this variation against the Estimate are:

- Lower than expected expenditure on Peers' expenses and other administration costs was largely offset by a movement in the pension provision.
- For Works Services, non-cash expenditure was lower than estimated and there were unavoidable delays to large capital projects.

Against the net cash requirement, outturn of £57,173,000 was £3,170,000 less than the Estimate.

The House of Lords remains one of the busiest Parliamentary chambers in the world. It sat on 156 days in 2002 and the average length of each daily sitting was just under 7 hours. Detailed scrutiny and revision of legislation remains the most important role of the House of Lords; 36 bills received Royal Assent, and 8,457 amendments were dealt with by the House.

Select committee activity remained high in 2002-03, centring on the continuing work of the four sessional Select Committees, two ad hoc Select Committees and on collaboration with the Commons in servicing the Joint Committee on Human Rights and two joint pre-legislative scrutiny Committees.

The House of Lords is taking steps to comply with the Freedom of Information Act 2000. The House of Lords' Publication Scheme was approved by the Information Commissioner and published in November 2002. The Scheme sets out the classes of information the House publishes, how the information is published and whether a charge is made. The Scheme is available in hard copy and on the Parliamentary website. In January 2003 the House agreed that information relating to Peers' expenses should be published with effect from the autumn of 2004.

The Information Office enquiry service dealt with over 21,000 enquiries from the public and Members and continued to support the work of the Parliamentary Education Unit through its programme of Pupil Parliaments. The arrangements for members' tours through the Palace of Westminster and the public opening in the summer recess were brought under the control of a single Central Tours Office, which takes bookings, issues permits and allocates guides.

Security improvements prompted by the events of 11th September 2001 were implemented, in particular the new permanent security features in Black Rod's Garden.

The Administration continues to monitor corporate governance developments in the public sector. Work has been undertaken to develop a corporate risk register and local risk registers for all Offices of the House.

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. The Chairman and Principal Deputy Chairman of Committees' salaries, and that part of the Lord Chancellor's salary attributable to his duties as Speaker of the House, are paid from House of Lords' funds. The salaries as at 31st March 2003 were as follows:

Lord Chancellor (as Speaker of the House of Lords)	£25,206
Chairman of Committees (including £1,527 London Supplement)	£75,567
Principal Deputy Chairman of Committees (including £1,527 London Supplement)	£70,794

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

Last year's Foreword to the Accounts described how a Working Group, chaired by the then Chairman of Committees, Lord Tordoff, recommended a number of administrative changes. These were, for the most part, endorsed by the House of Lords' Offices Committee, and agreed by the House on 10th June 2002. The recommendations may be summarised as follows:

- The Offices Committee and its Finance and Staff sub-committee should be abolished, and their functions taken over by a new Committee called the House Committee;
- The remaining sub-committees of the Offices Committee should be reconstituted as free-standing committees, acting primarily as "user groups", within the financial limits agreed by the House Committee;
- The House Committee should be supported by a Management Board of senior officials, chaired by the Clerk of the Parliaments;
- There should be an Audit Committee.

The appointment of the House Committee, replacing the Offices Committee and the Finance and Staff sub-committee, took effect from November 2002.

The House of Lords' Management Board was formally established in October 2002 and its membership is designed to reflect the wide range of services provided to the House and its Members. It is chaired by the Clerk of the Parliaments. During 2002-03, the other members of the Management Board were as follows;

Paul Hayter	Parliamentary Services and Information Services
Michael Pownall	Finance Services
Rhodri Walters	Committee Services
Lieutenant-General Sir Michael Willcocks	Support Services
Edward Ollard	Human Resources

The Audit Committee was first appointed by the Finance and Staff Sub-Committee in July 2002.

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. He is appointed by Her Majesty by Letters Patent and can be removed from office only by the Sovereign upon an address of the House of Lords for that purpose. The Clerk of the Parliaments for 2002-03 was Sir Michael Davies KCB, who retired on 13th July 2003. Paul Hayter was appointed Clerk of the Parliaments from 14th July 2003.

The salary of the Clerk of Parliaments is linked to Judicial Salary Group 4. Details of the remuneration of the Management Board can be found in note 2 to the accounts.

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.

Public Interest and Other

Equal Opportunities

The House of Lords is committed to providing equal opportunity for all staff, regardless 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.

Payments to Suppliers

The House of Lords 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 Finance Office. The House of Lords Refreshment Department also makes payments on behalf of the House of Lords.

The calculation of payment performance for 2002-03 has been based on continuous monitoring of payments throughout the year and on this basis 98.81% of payments made by the House of Lords met the policy criteria.

Auditor

The Comptroller and Auditor General is the external auditor for the House of Lords.

P.D.G. Hayter

Clerk of the Parliaments and Accounting Officer

8th December 2003

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 is required to comply with the Resource Accounting Manual prepared by the 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 Resource Accounting 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 on-going process designed to identify all risks to the corporate objectives of the House of Lords Administration; to evaluate the likelihood of those risks being realised and the impact of them being realised; and to manage them efficiently, effectively and economically.

Capacity to handle risk

The risk management process is owned by the Management Board. Each of the ten corporate risks of the House of Lords Administration has a nominated risk owner at Management Board level. Corporate risk owners are responsible for ensuring that the risks allocated to them are managed effectively in accordance with the Administration's risk approach. They are required to report on the risk management approach, and on all related actions and decisions, at Management Board meetings. A reporting timetable for all corporate risks has been agreed.

Heads of Offices have attended a risk management seminar and have been provided with appropriate guidance material to allow them to consider risk in 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, together with chosen methods of containment, will be described in detail in Office risk registers.

The risk and control framework

The Management Board, the Audit Committee and the House Committee all play an important part in the development of the risk and control framework. The Management Board has primary responsibility for considering and agreeing the risk management policy, deciding the Administration's risk approach, and for developing appropriate strategies for the effective management of agreed corporate risks. The Audit Committee has responsibility for reviewing the Administration's approach to risk and for evaluating the efficacy of management responses thereto. 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 changes to policy in this area.

Further development work will continue during 2003-04 and will concentrate specifically on the management and reporting of Office risks, and full integration of the Office risk management system with that which already exists for the management of corporate risks. The process will be closely guided at each stage. I expect this aspect of risk management to be completed during 2003-04, at which point I would consider risk management to be embedded into all operational activities for which I am responsible. I expect similar steps to be taken in those areas which are jointly funded by both Houses of Parliament.

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 a system of delegation and accountability. During the 2002-03 financial year, it was also subject to overall supervision firstly by the House of Lords Finance and Staff Sub-Committee, and thereafter by its successor, the House Committee. Development and maintenance of the system is undertaken by executive managers within the House of Lords, but is also influenced by accounting arrangements for services which are shared with the House of Commons.

All payments made by the House of Lords in respect of current and capital works services take the form of reimbursement to the House of Commons of expenditure incurred on behalf of the House of Lords. 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. Similar arrangements are in place for other services administered on a bicameral basis, in particular IT services. 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 is 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. The review process is informed by the work of the internal auditors and the executive managers within the House of Lords who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. In assessing the effectiveness of the internal control system I am also guided by the views of the Audit Committee and the Management Board. Action to address areas of weakness and ensure continuous improvement of the internal control system has been agreed and will be implemented during 2003-04.

P.D.G. Hayter

Clerk of the Parliaments and Accounting Officer

8th December 2003

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

I certify that I have audited the financial statements on pages 14 to 37. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 20 to 23.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 8, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the House of Lords Resource Accounting Manual and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and 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 if, in my opinion, the Foreword is not consistent with the financial statements, if the House has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Foreword, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent mis-statements or material inconsistencies with the financial statements.

I review whether the statement on pages 9 to 11 reflects the House of Lords' application, as best practice, of Treasury's guidance "Corporate governance: statement on internal control". I report if it does not reflect appropriate application of the Treasury guidance, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

As set out in the Statement on Internal Control (pages 9 – 11), 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 have 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.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the House of Lords in the preparation of the financial statements, and of whether the accounting policies are appropriate to the House of Lords' 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 are free from material mis-statement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conformed to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the House of Lords at 31st March 2003 and of the net resource outturn, resources applied to objective, recognised gains and losses and cash flows for the year ended, and have been properly prepared; 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

11th December 2003

SCHEDULE 1**Summary of Resources Outturn**For the year ended 31st March 2003

	Estimate			Outturn			<i>Net Total Outturn compared with Estimate saving/ (excess)</i>	<i>Prior year Outturn</i>
	<i>Gross Expenditure</i>	<i>AinA</i>	<i>Net Total</i>	<i>Gross Expenditure</i>	<i>AinA</i>	<i>Net Total</i>		
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>		
Request for Resources 1 Peers Expenses, Admin. etc.	45,330	(4,314)	41,016	45,120	(4,298)	40,822	194	30,996
Request for Resources 2 Works Services	46,280	(158)	46,122	45,000	(5)	44,995	1,127	40,453
Total Resources	91,610	(4,472)	87,138	90,120	(4,303)	85,817	1,321	71,449
Non-operating Cost A in A			(45)			(45)	-	(9)
Net Cash Requirement			60,343			57,173	3,170	56,862

Reconciliation of Resources to Net Cash Requirement

	<u>Note</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Net Total Resources		87,138	85,817	1,321
Capital:				
Acquisition of Fixed Assets Investments	9&10	3,292	2,980	312
Non-Operating A in A				
Book value of fixed asset disposals	9	(45)	(45)	-
Accruals Adjustments:				
Non cash items	3	(29,173)	(31,443)	2,270
Changes in working capital other than cash	11	31	(136)	167
Changes in creditors falling due after more than one year		-	-	-
Use of provision	15	-	-	-
Adjustment to reflect underspend on cash in RfR2		(900)	-	(900)
Net Cash Requirement (Schedule 4)		60,343	57,173	3,170

The notes on pages 20 to 37 form part of the accounts

SCHEDULE 1 - continued

Explanation of the variation between Estimate and outturn (net total resources):

- (i) Lower than expected expenditure on Peers' expenses and other administration costs was largely offset by a movement in the pension provision.
(ii) For Works Services, non-cash expenditure was lower than estimated and there were unavoidable delays to large capital projects.

Explanation of the variation between Estimate net cash requirement and outturn (net cash requirement):

- (i) Expenditure was lower than expected on Peers' expenses and other administration costs.
(ii) There were unavoidable delays to large capital projects.

Analysis 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	2002-03 Forecast		2002-03 Outturn	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Operating income and receipts – excess A in A	5	-	-	-	-
Non-operating income and receipts – excess A in A	5	-	-	16	<i>16</i>
Subtotal		-	-	16	<i>16</i>
Other operating income and receipts not classified as A in A	5	-	-	-	-
Other non-operating income and receipts not classified as A in A	5	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	5	-	-	-	-
Total		-	-	16	<i>16</i>

Actual outturn – resources:

- Request for resources 1: Actual amount net resources outturn £40,822,010.04. Actual amount of savings in resources over Estimate £193,989.96.
Request for resources 2: Actual amount net resources outturn £44,994,889.15. Actual amount of savings in resources over Estimate £1,127,110.85.

Actual outturn – cash:

- Net cash requirement: Outturn net cash requirement £57,173,312.71 which is £3,169,687.29 less than Estimate.
Excess non operating A in A surrenderable to the Consolidated Fund totalled £15,871.45.

The notes on pages 20 to 37 form part of the accounts

SCHEDULE 2**Operating Cost Statement**For year ended 31st March 2003

	Note	2002-03		2001-02	
		£000	£000	£000	£000
Programme Costs					
Request for Resources 1					
Staff Costs	2	13,627		12,264	
Other Expenditure	3	31,493		22,632	
Less: Income	5	(4,298)		(3,900)	
			40,822		30,996
Request for Resources 2					
Expenditure	3	45,000		40,456	
Less: Income	5	(5)		(3)	
			44,995		40,453
Net Programme Costs			85,817		71,449
Net Operating Cost	7&8		85,817		71,449
Net Resource Outturn	7&8		85,817		71,449

All income and expenditure are derived from continuing operations

Statement of Recognised Gains and LossesFor the year ended 31st March 2003

	2002-03	2001-02
	£000	£000
Net gain on revaluation of tangible fixed assets (note 16)	41,201	23,907
Actuarial gain (see note 15)	50	-
Total recognised gains and losses for the financial year	41,251	23,907

The notes on pages 20 to 37 form part of the accounts

SCHEDULE 3**Balance Sheet**As at 31st March 2003

	Note	31 st March 2003		31 st March 2002	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	10a	450,152		411,109	
Intangible assets	10b	149		174	
			450,301		411,283
Current Assets					
Stocks		288		268	
Debtors	12	1,733		1,702	
Cash at bank and in hand	13	387		745	
		2,408		2,715	
Creditors (amounts falling due within one year)	14	(3,191)		(3,259)	
Net Current assets			(783)		(544)
Total Assets less Current Liabilities			449,518		410,739
Creditors (amounts falling due after more than one year)					
Provisions for Liabilities and Charges	15	(37,500)		(34,681)	
			(37,500)		(34,681)
			412,018		376,058
Taxpayers' Equity					
General Fund	21		268,814		273,962
Revaluation Reserve	16		142,987		101,879
Donated Assets Reserve	16		217		217
			412,018		376,058

P.D.G. Hayter

Clerk of the Parliaments and Accounting Officer

8th December 2003

The notes on pages 20 to 37 form part of the accounts

SCHEDULE 4**Cash Flow Statement**For the year ended 31st March 2003

	2002-03	2001-02
Note	<u>£000</u>	<u>£000</u>
Net cash outflow from operating activities (a)	(54,089)	(44,996)
Capital expenditure and financial investment (b)	(2,965)	(11,866)
Receipts due to the Consolidated Fund which are outside the scope of the House's activities	-	-
Payments of amounts due to the Consolidated Fund	-	(72)
Financing (c)	56,696	56,165
Decrease in cash for the period	13 (358)	(769)

*Notes:**a See the table below giving a reconciliation of operating cost to operating cash flows.**b See the table below giving an analysis of capital expenditure and financial investment.**c See the table below giving an analysis of financing and a reconciliation to the net cash requirement.*

	2002-03	2001-02
Reconciliation of operating cost to operating cash flows		
Net Operating Cost (Schedule 2)	85,817	71,449
Adjust for non-cash transactions	3 (31,489)	(26,005)
Adjust for movements in working capital other than cash	11 (239)	(139)
Use of provisions	15 -	(309)
Net cash flow from operating activities	54,089	44,996
Analysis of capital expenditure and financial investment		
Intangible fixed asset additions	9&10b 64	78
Tangible fixed asset additions	9&10a 2,916	11,797
Proceeds from disposal of fixed assets	(15)	(9)
Net cash outflow from investing activities	2,965	11,866
Analysis of financing, and reconciliation to the net cash requirement		
From the Consolidated Fund (Supply) – current year ¹	56,696	56,165
Net Financing	56,696	56,165
Decrease in cash	358	769
Net cash flows other than financing	57,054	56,934
Adjust for payments and receipts not related to Supply;		
Amounts due to the Consolidated Fund - received in prior year and paid over	-	(72)
Amounts due to the Consolidated Fund - received and not paid over	16	-
Transitional adjustment for outstanding balances relating to the 2000-01 Peers Expenses and Works Services Appropriation Accounts	103	-
Net cash requirement (Schedule 1)	57,173	56,862

¹ Amount of grant actually issued to support the net cash requirement = £56,696,000.00

SCHEDULE 5**Resources by Aim and Objective**For the year ended 31st March 2003

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

	2002-03			2001-02		
	<u>Gross</u> <u>£000</u>	<u>Income</u> <u>£000</u>	<u>Net</u> <u>£000</u>	<u>Gross</u> <u>£000</u>	<u>Income</u> <u>£000</u>	<u>Net</u> <u>£000</u>
Objective: To provide facilities and services in accordance with the requirements of the House and its Members.	90,120	(4,303)	85,817	75,352	(3,903)	71,449
Net Operating Costs	90,120	(4,303)	85,817	75,352	(3,903)	71,449

See Note 23

The notes on pages 20 to 37 form part of the accounts

Notes to the Accounts

1. Statement of accounting policies

The financial statements have been prepared with reference to the *Resource Accounting Manual* issued by the HM Treasury. The accounting policies contained in the manual follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the manual permits a choice of accounting policy, the policy that the House of Lords has judged the most appropriate for the purposes of giving a true and fair view has been selected. The particular accounting policies adopted are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting conventions

These accounts have been prepared under the historical cost convention modified to include 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 Peers' Expenses and administration costs (Request for Resources 1) and Works Services (Request for Resources 2). The accounts also incorporate the transactions of the House of Lords Refreshment Department and the House of Lords Works of Art Collection Fund, previously published as separate financial statements.

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, which is then recharged to the House of Lords over the course of the year.

From 1999 onwards, the House of Lords Record Office, which maintains the Parliamentary Archives, became 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 an agreed proportion.

1.3 Fixed Assets

i. Tangible Fixed Assets

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;

ii. Freehold Properties

The Palace of Westminster is a Royal Palace and is revalued every year. The remainder of the Parliamentary Estate is subject to a full revaluation every 5 years and an interim valuation every year. 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 and are subject to instructions issued by the House of Commons.

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 Accounts - continued

iii. 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.

iv. Plant and Machinery

Plant and Machinery includes 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*'.

v. 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*'. The minimum level for capitalisation of a tangible fixed asset is £1,000.

vi. Intangible Fixed Assets

Intangible fixed assets relate to licences to use software developed by third parties. These are valued at cost and the minimum level for capitalisation is £1,000.

1.4 Depreciation and Amortisation

Freehold land is not depreciated.

Depreciation and amortisation is provided at rates calculated to write off the valuation of freehold buildings and other fixed assets by equal instalments over their estimated useful lives. Depreciation is not charged on 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	93 years
Other buildings	remaining life (between 25-38 years)
Plant and machinery	10-30 years
Fixtures and fittings	10 years
Refreshment Department silverware	20 years
Broadcasting equipment	10 years
Telephone equipment	10 years
General office equipment	5-10 years
Computer file servers and software	3-5 years
Other IT equipment	3 years

1.5 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, Antiquarian Books and Peers Robes. Owing to the nature of these assets, or their long economic life and high residual value, depreciation is not charged.

i. Works of Art Collection

Parliament has collected Works of Art since 1841 depicting parliamentary institutions and statesmen and women. 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 10.

Notes to the Accounts - *continued*

In accordance with the *Resource Accounting Manual*, the value of the Works of Art Collection as at 31st March 2000 is not included on the balance sheet. House of Lords additions from 1st April 2000 are valued at cost. Details on the House of Lords Works of Art Collection Fund are contained in note 28.

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 are held by the Public Record Office and 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. The Record Office publishes an Annual Report which is available via www.parliament.uk.

In accordance with the *Resource Accounting Manual*, the value of the Parliamentary Archives as at 31st March 2000 is not included on the balance sheet, with acquisitions from 1st April 2000 being valued at cost.

iii. Antiquarian Books

The House of Lords Library holds a collection of antiquarian books, which dates back to the Seventeenth century. In accordance with the *Resource Accounting Manual*, the value of antiquarian books as at 31st March 2000 is not included on the balance sheet, with acquisitions from 1st April 2000 being valued at cost.

iv. Peers' Robes

The House of Lords holds robes which are lent to Peers for ceremonial use on State occasions. These were donated or bequeathed to the House by former Peers, 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.

1.6 Stock and work in progress

Stock includes goods for resale, other stock held by the Refreshment Department and certain other consumable stores.

Stock and work in progress are valued as follows:

- a. 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;
- b. Work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

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 Judicial proceedings and taxation of costs, Private Bill proceedings, replication of parliamentary archives, receipts in connection with the provision of catering facilities to members, staff pension contributions and other pension receipts. It includes not only income appropriated in aid of the Estimate but also 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 *Resource Accounting 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 to provide for expenditure governed by the administration costs control regime.

Notes to the Accounts - continued**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 government's standard rate of 6% in real terms on all assets less liabilities, except for donated assets, additions to heritage collections where the existing collection has not been capitalised, and cash balances with Office of the Paymaster General, where the charge is nil.

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). The scheme 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. The HOLSPS relates to House of Lords' staff; those employed by the House of Commons are covered by separate pension arrangements.

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 the Treasury. These rates were in the range of 12-18.5% of pensionable pay.

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 2003.

The House of Lords meets the cost of benefits beyond the normal HOLSPS benefits in respect of employees who retire early.

1.13 Operating Leases

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

1.14 Grants payable

The House of Lords makes an annual grant to the History of Parliament Trust (see note 4).

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 27. 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 2002-03 the amount paid was £277,000.

Notes to the Accounts - *continued***2. Staff numbers and costs**

A. Staff costs consist of:

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
Wages and salaries	10,694	9,658
Social security costs	755	706
Other pension costs	2,358	1,900
Sub Total	13,807	12,264
Inward Secondments	24	
Total	13,831	
Less recoveries in respect of outward secondments	(204)	
Total Net Costs	13,627	

The above is only in respect of officials of the House of Lords. Other pension costs includes some costs of administering the House of Lords Staff Pension Scheme.

B. The average number of whole time equivalents (WTE) posts (including senior management) was as follows:

	<u>2002-03</u>	<u>2001-02</u>
	Number	Number
House of Lords Administration	374	344

A further analysis of the complement of House of Lords staff is available in the Annual Report (HL Paper 146).

C. The salary and pension entitlements of the Management Board were as follows:

2002-03	Age	Salary (as defined below)	Real increase in pension	Total accrued pension at 31st March 2003	Benefits in kind
		£000	£000	£000	
Sir Michael Davies, KCB <i>Clerk of the Parliaments</i>	62	135-140	2.5-5.0	65-70	-
Paul Hayter <i>Clerk Assistant</i>	60	110-115	2.5-5.0	50-55	-
Michael Pownall <i>Reading Clerk</i>	53	90-95	2.5-5.0	35-40	-
Lieutenant-General Sir Michael Willcocks, KCB <i>Gentleman Usher of the Black Rod</i>	58	70-75	0.0-2.5	0-5	See below
Rhodri Walters <i>Clerk of Committees</i>	53	80-85	2.5-5.0	25-30	-
Edward Ollard <i>Establishment Officer</i>	43	65-70	0-2.5	15-20	-

'Salary' includes gross salaries and performance bonuses payable.

Notes to the Accounts - continued

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 based “final salary” defined benefit schemes (classic, premium or classic plus). New entrants after 1st October 2002 may choose between membership of premium or joining a good quality “money purchase” stakeholder based arrangement with a significant employer contribution (partnership pension account).

Classic scheme - Benefits accrue at the rate of $1/80^{\text{th}}$ of pensionable salary for each year of service. In addition, a lump sum equivalent to 3 years’ pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member’s pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse’s pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirements are possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Premium scheme – Benefits accrue at the rate of $1/60^{\text{th}}$ of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of $3/80^{\text{ths}}$ of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of $3/8^{\text{ths}}$ the members pension (before any commutation). On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse’s pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirements are possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member’s ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what would have accrued at age 60.

Classic Plus scheme – This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

Pensions payable under classic, premium and classic plus are increased in payment in line with the Retail Prices Index.

The estimated monetary value of benefits in kind covers any benefits provided and treated by the Inland Revenue as taxable income. Black Rod occupies a Parliamentary Residence, for 2002-03 the taxable benefit for the residence was £3,886.

Notes to the Accounts - *continued***3. Other expenditure**

	2002-03		2001-02	
	RfR1 £000	RfR2 £000	RfR1 £000	RfR2 £000
Rentals under operating leases:				
Hire of plant and machinery	113	4	89	8
Other operating leases	-	1,233	-	770
	113	1,237	89	778
Non-cash items:				
Depreciation and amortisation of fixed assets:				
Tangible fixed assets	979	3,970	720	3,324
Intangible fixed assets	90	-	88	-
Loss on disposal of fixed assets	31	15	49	-
Cost of capital charge	(2,025)	25,709	(1,984)	23,610
Loss on revaluation	68	-	93	-
Provision provided in year	100	-	-	-
Unwinding of discount on provisions	2,447	-	-	-
Auditor's remuneration and expenses	105	-	105	-
	1,795	29,694	(929)	26,934
Peers' Expenses	13,773	-	10,477	-
Security	6,928	-	5,913	-
Other expenditure	8,884	14,069	7,082	12,744
Total	31,493	45,000	22,632	40,456

There has been no auditor's remuneration for non-audit work.

Note a – the total of non cash transactions included in the Reconciliation of Operating Costs to Operating Cashflows in Schedule 4 comprises:

	RfR1	RfR2	Total
	£000	£000	£000
Other administration costs – non cash items (as above)	1,795	29,694	31,489
Other non-cash amounts charged to operating expenditure	-	-	-
Less non-cash income	-	-	-
Total non-cash transactions	1,795	29,694	31,489

Note b – the total of non cash transactions included in the Reconciliation of Resources to Net Cash Requirement comprises:

	RfR1	RfR2	Total
	£000	£000	£000
Other administration costs – non cash items (as above)	1,795	29,694	31,489
Adjustment for profits and losses on disposal of fixed assets:			
Losses on disposal of fixed assets	(31)	(15)	(46)
Profits on disposal of fixed assets	-	-	-
Non-cash items per reconciliation of resources to net cash requirement	1,764	29,679	31,443

Notes to the Accounts - *continued*

4. Net Programme Costs

	2002-03	2001-02
	£000	£000
Grant to History of Parliament Trust	260	260
Other current expenditure	89,860	75,092
	90,120	75,352
Less: income (see note 5)	(4,303)	(3,903)
	85,817	71,449

5. Income and appropriations in aid (see also Note 1.8)

Operating income

Operating income not appropriated-in-aid (A in A) (i.e. transferred to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not (see Note 7). In 2002-2003, all operating income as A in A was within public expenditure.

	2002-03			
	Resource Outturn		Operating Cost Statement	
	Netted off gross expenditure in sub-head	Appropriated in Aid	Payable to Consolidated Fund	Income included in Operating Cost Statement
	£000	£000	£000	£000
Operating income analysed by classification and activity is as follows:				
Refreshment Department sales	-	3,258	-	3,258
Pension contributions and transfers in	-	398	-	398
Judicial fees and taxation	-	572	-	572
Other fees and charges	339	75	-	75
	339	4,303	-	4,303

	2001-02			
	Resource Outturn		Operating Cost Statement	
	Netted off gross expenditure in sub-head	Appropriated in Aid	Payable to Consolidated Fund	Income included in Operating Cost Statement
	£000	£000	£000	£000
Operating income analysed by classification and activity is as follows:				
Refreshment Department sales	-	2,732	-	2,732
Pension contributions and transfers in	-	626	-	626
Judicial fees and taxation	-	499	-	499
Other fees and charges	351	46	-	46
	351	3,903	-	3,903

Notes to the Accounts - *continued**Non-operating appropriations in aid*

	2002-03	2001-02
	£000	£000
Disposals of fixed assets	45	9

6. Administration cost limits

This note is not applicable to the House of Lords (see note 1.9).

7. Reconciliation of net operating cost to control total and net resource outturn

	2002-03	2001-02
	£000	£000
Net operating cost	85,817	71,449
Plus operating income not classified as A in A but within public expenditure	-	-
Net resource outturn	85,817	71,449

Net operating cost is the total of expenditure and income in the operating cost statement (Schedule 2). Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the House of Lords' Supply Estimate. The outturn against the Estimate is shown in the summary of resource outturn (Schedule 1).

8. Analysis of net resource outturn by function and reconciliation to Operating Cost Statement

	2002-03						2001-02	
	Current Expenditure	Grants	Gross Resource Expenditure	AinA	Net Total	Estimate	Net total outturn compared with Estimate	Prior-year Outturn
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources 1								
Functioning of Parliament	44,860	260	45,120	(4,298)	40,822	41,016	194	30,996
Request for resources 2								
Works Services	45,000	-	45,000	(5)	44,995	46,122	1,127	40,453
Resource outturn	89,860	260	90,120	(4,303)	85,817	87,138	1,321	71,449

Reconciliation to Operating Cost Statement

Non-Supply expenditure	-	-	-	-	-
Non-A in A operating income	-	-	-	-	-
Gross Operating Expenditure	90,120				
Operating Income	(4,303)				
Net Operating Cost	85,817				

Notes to the Accounts - *continued***9. Analysis of capital expenditure, financial investment and associated A in A**

	2002-03			
	Capital expenditure £000	Loans, etc. £000	AinA £000	Net Total £000
Request for resources 1	1,707	-	(30)	1,677
Request for resources 2	1,273	-	(15)	1,258
	2,980	-	(45)	2,935

	2001-02			
	Capital expenditure £000	Loans, etc. £000	AinA £000	Net Total £000
Request for resources 1	1,221	-	-	1,221
Request for resources 2	10,654	-	(9)	10,645
	11,875	-	(9)	11,866

10a. Tangible fixed assets

	Land & Buildings excluding dwellings £000	Dwellings £000	Information Technology £000	Plant & Machinery £000	Heritage Assets & Office Equipment £000	Assets Under Construction £000	Total £000
Cost or valuation							
At 1 st April 2002	680,818	838	3,775	1,140	19,812	8,087	714,470
Additions	1,055	-	1,610	-	220	30	2,915
Donations	-	-	-	-	-	-	-
Disposals	-	-	(311)	-	(43)	-	(354)
Revaluation	74,287	650	(163)	105	1,118	-	75,997
At 31st March 2003	756,160	1,488	4,911	1,245	21,107	8,117	793,028
Depreciation							
At 1 st April 2002	299,880	81	2,159	-	1,241	-	303,361
Charged in year	3,868	32	937	-	112	-	4,949
Disposals	-	-	(266)	-	-	-	(266)
Revaluation	34,871	-	(126)	-	87	-	34,832
At 31st March 2003	338,619	113	2,704	-	1,440	-	342,876
Net book value at 31st March 2003	417,541	1,375	2,207	1,245	19,667	8,117	450,152
At 31st March 2002	380,938	757	1,616	1,140	18,571	8,087	411,109
Asset financing:							
Owned	417,541	1,375	2,207	1,245	19,667	8,117	450,152
Financed leased	-	-	-	-	-	-	-
On-balance sheet PFI contracts	-	-	-	-	-	-	-
PFI residual interests	-	-	-	-	-	-	-
Net book value at 31st March 2003	417,541	1,375	2,207	1,245	19,667	8,117	450,152

Land and buildings

The Palace of Westminster was re-valued on the basis of Depreciated Replacement Cost. The total value of the Palace as at 31st March 2003 was £1,033,000,000 (House of Lords share £413,200,000). The remainder of the Parliamentary Estate was re-valued using Existing Use Value.

Plant and machinery

The clock mechanism in the Clock Tower, popularly known as 'Big Ben', was last valued as at 2nd July 1998 on a replacement cost basis by Thwaites & Reed of London Limited. It has been revalued using an appropriate index obtained from the Office for National Statistics MM17 'Price index numbers for current cost accounting'. The total value as at 31st March 2003 was £3,112,000 (House of Lords share £1,245,000).

Notes to the Accounts - continued*Heritage assets and office equipment*

Antique furniture is based on a professional valuation carried out at 31st March 1998. The Furniture Manager for the Parliamentary Works Department performs a yearly internal review of the antique furniture to identify if any revaluation adjustment is required. For the year ended 31st March 2003 the value of the antique furniture was £18,459,000.

The works of arts, including the House of Lords Works of Art Collection Fund, are classified as non-operational heritage assets and those acquired prior to 1st April 2000 are not included on the balance sheet. House of Lords additions since 1st April 2000 are capitalised and included in heritage assets and office equipment. For the year ended 31st March 2003 the value of the works of art was £196,145. The collection held by Parliament, either solely or jointly owned by the House of Lords and House of Commons, prior to 1st April 2000 can be classified as follows:

<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		

For details of the Works of Art Collection Fund see note 28.

10b. Intangible fixed assets

Intangible fixed assets comprise purchased software licences.

	Software Licences £000
Cost or valuation	
At 1 st April 2002	366
Additions	65
Donations	-
Disposals	-
Revaluation	-
At 31st March 2003	431
Depreciation	
At 1 st April 2002	192
Charged in year	90
Disposals	-
Revaluation	-
At 31st March 2003	282
Net book value at 31st March 2003	149
At 31st March 2002	174

11. Movements in working capital other than cash

The movements in working capital other than cash used in the Reconciliation of resources to cash requirement comprise:

	2002-03	2001-02
	£000	£000
Increase/(Decrease) in stocks	20	5
Increase/(Decrease) in debtors	31	368
(Increase)/Decrease in creditors exc. Consolidated Fund	(290)	(512)
	(239)	(139)
Transitional adjustment for outstanding balances relating to the 2000-01 Peers Expenses and Works Services Appropriation Accounts	103	-
Movements in working capital other than cash (Schedule 1)	(136)	(139)

Notes to the Accounts - continued

The movements in working capital other than cash used in the Cash Flow Statement comprise:

	2002-03	2001-02
	£000	£000
Increase/(Decrease) in stocks	20	5
Increase/(Decrease) in debtors	31	368
(Increase)/Decrease in creditors exc. Consolidated Fund	(290)	(512)
Movements in working capital other than cash (Schedule 4)	(239)	(139)

12. Debtors

	2002-03	2001-02
	£000	£000
Amounts falling due within one year:		
Trade debtors	628	620
Deposits and advances	207	798
Other debtors	223	7
Pre-payments and accrued income	675	277
	1,733	1,702

13. Cash at bank and in hand

	2002-03	2001-02
	£000	£000
Balance at 1 st April	745	1,514
Net change in cash balances:	(358)	(769)
Balance at 31st March	387	745
The following balances at 31 st March are held at:		
Office of HM Paymaster General	332	683
Commercial banks and cash in hand	55	62
Balance at 31st March	387	745
The balance at 31 st March comprises:		
Cash due to be paid to the Consolidated Fund		
Amounts issued from the Consolidated Fund for supply but not spent at year end	371	745
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund.	16	-
	387	745

Notes to the Accounts - *continued***14. Creditors: amounts falling due within one year**

	2002-03	2001-02
	£000	£000
Trade creditors	671	403
Other creditors	1,322	1,289
Accruals and deferred income	811	822
Total exc. Amounts due to Consolidated Fund	2,804	2,514
Amounts issued from the Consolidated Fund for supply but not spent at year end	371	745
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund.	16	-
	3,191	3,259

15. Provisions for liabilities and charges (See also Note 1.12)

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 2002	34,427	254	34,681
Current service cost (net of employee contributions)	2,078	-	2,078
Employee contributions	247	-	247
Actuarial losses (gains)	(50)	-	(50)
Less benefits paid	(1,681)	(91)	(1,772)
Less net individual transfers out	(131)	-	(131)
Interest cost/unwinding of discount	2,430	17	2,447
Balance at 31st March 2003	37,320	180	37,500

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 2003 and the major assumptions used were:

Financial assumptions	31 st March 2003	31 st March 2002
	%	%
The inflation assumption	3.40	4.80
The rate of increase in salaries	4.90	6.40
The rate of increase for pensions in payment and deferred pensions	3.40	4.80
The rate used to discount scheme liabilities	7.00	8.50
The effect of accrual during 2002/03	Amount	
	£000	
The current service cost (net of employee contributions)	2,078	
Any past service costs	0	
Gains and losses on any settlements and curtailments	0	
The interest cost	2,447	
Actuarial gains and losses for 2002/03	%*	Amount
		£000
Experience losses (gains)	-1.77	(664)
Effect of changes in demographic and financial assumptions		614
Total actuarial losses (gains)	-0.13	(50)

*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 Accounts - continued

Liability	31st March 2003	31st March 2002
	£000	£000
Actives	21,535	20,490
Deferreds	2,905	2,225
Age Pensioners	10,745	9,810
Ill Health Pensioners	1,260	1,191
Dependant Pensioners	1,055	965
Total Present value of the scheme liabilities	37,500	34,681

16. Reserves

	2002-03	2001-02
	Revaluation Reserve	Revaluation Reserve
	£000	£000
Balance at 1 st April	101,879	77,980
Arising on revaluation during the year (net)	41,201	23,907
Transferred to general fund in respect of realised element of revaluation reserve	(93)	(8)
Balance at 31st March	142,987	101,879

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

	2002-03	2001-02
	Donated Asset Reserve	Donated Asset Reserve
	£000	£000
Balance at 1 st April	217	217
Additions during the year	-	-
Balance at 31st March	217	217

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

17. Capital Commitments

The House of Lords has capital commitments at 31st March 2003, for which no provision has been made, amounting to £5,075,000.

18. 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:

	2002-03	2001-02
	£000	£000
Obligations under operating leases comprise:		
Land and buildings		
Expiry within one year	-	-
Expiry after 1 year but not more than 5 years	-	-
Expiry thereafter	1,262	1,116
	1,262	1,116

19. Other financial commitments

The House of Lords does not have any other material commitments at 31st March 2003.

Notes to the Accounts - *continued***20. Contingent Liabilities**

As at 31st March 2003 litigation was in progress against the Corporate Officer. Total anticipated expenditure was not expected to be significant and the action was subsequently settled in September 2003.

21. Reconciliation of net operating cost to changes in general fund

	2002-03		2001-02	
	£000	£000	£000	£000
Net operating cost for the year (Schedule 2)		(85,817)		(71,449)
Income not appropriated in aid paid to the Consolidated Fund		-		-
		(85,817)		(71,449)
Net parliamentary funding		56,696		56,165
Transferred to general fund of realised element of revaluation reserve (note 16)		93		8
Non-cash charges:				
Cost of capital (note 3)	23,684		21,626	
Auditor's remuneration (note 3)	105		105	
		23,789		21,731
Balance to be surrendered to Consolidated Fund				
Cash balance payable for unspent supply	(371)		(745)	
Non-operating income not appropriated in aid paid or payable to the Consolidated Fund	(16)		-	
Prior year unspent grant	745		1,546	
Other adjustments (see below)	(267)		-	
		91		801
Net change in general fund		(5,148)		7,256
General fund at 1 st April		273,962		266,706
General fund at 31st March (Schedule 3)		268,814		273,962

Other adjustments relate mainly to the need to reflect some intra-House transactions from earlier periods not previously reflected in the General Fund balance.

22. 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 Communications Directorate and the Parliamentary Archives.

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%
Broadcasting services	40%	60%

As at 31st March 2003, the balance relating to accommodation and works services owed to the House of Lords by the House of Commons was £180,000. In relation to other shared services the amount owed by the House of Lords to the House of Commons was £4,000. The total amount of expenditure incurred by the House of Commons on behalf of the House of Lords was £18,816,000. The House of Lords incurred £339,000 of expenditure on behalf of the House of Commons during 2002-03. The balance owed to the House of Lords by the House of Commons was £56,000.

Notes to the Accounts - *continued*

23. Notes to Schedule 5

The House of Lords' capital is employed exclusively for House of Lords' administration purposes. In the course of the year, and after consultation with the heads of offices, the aim and objectives of the House of Lords' administration were revised. Work is progressing to enable Schedule 5 in future years to reflect the changes in the objectives.

The revised aim and objectives of the House of Lords' administration are contained in the Foreword to the Accounts and further information can be found in the House of Lords' Business Plan (HL Paper 147).

24. 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 49% of sales in 2002-03.

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 ensure that private function trading and retailing is self financing and the department is also required to trade on the basis of 50% gross profit on all turnover. On 23rd May 1990, the Leader of the House stated that sales of tobacco, confectionery and goods to be consumed or used outside the department, together with the cost of services at functions, would be excluded from the turnover figure against which gross profit is measured for the purpose of this target.

Total trading sales for 2002-03 amounted to £3,257,526. Gross profit on sales calculated according to the formula above was 65.6%.

Further performance targets for trading in individual outlets of the department have been agreed, and are reviewed annually, by the Refreshment Committee (replacing the Refreshment Sub-Committee of the Offices Committee in November 2002).

25. 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.

Liquidity Risk

The House of Lords is financed by supply voted annually by Parliament for the House of Lords Peers Expenses, Administration etc. and the House of Lords Works Services expenditure. As such it is not exposed to significant liquidity risks. 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.

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

Notes to the Accounts - *continued***26. Accountability**

No exceptional kinds of expenditure such as losses and special payments that required separate disclosure because of their nature or amount were incurred.

27. 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 lodged by the Appellants is authorised from time to time by the House Committee (replacing the House of Lords' Offices Committee in November 2002). 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 Judgment or Taxation of the Bill of Costs.

	2002-03	2001-02
	£000	£000
Opening Balance of Fund at 1st April	1,305	1,169
Add Receipts:		
Lodgements by Appellants	850	750
	2,155	1,919
Less Repayments:		
Repayments to Appellants/Respondents	(554)	(614)
	(554)	(614)
Closing Balance of Fund at 31 st March	1,601	1,305

The closing balance of £1,601,000 was made up of 1 Deposit of £12,000, 23 Deposits of £18,000 and 47 Deposits of £25,000.

28. 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 from the Works Services Vote 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 £29,000 in April 2001. The Fund is regulated by a Financial Memorandum drawn up by the Offices Committee (replaced by the House Committee in November 2002).

	2002-03	2001-02
	£000	£000
Opening balance of Fund at 1 st April	28	22
Add receipts:		
Grant from Works Services RfR (see (a) below)	29	57
Net interest received	-	1
	57	80
Less: Purchases during the year (see (b) below)	57	52
	57	52
Closing Balance of Fund as at 31 st March	-	28

(a) The grant of £28,000 for 2000-01 was paid into the account after 31st March 2001. This is reflected in the 2001-02 accounts.

Notes to the Accounts - continued

(b) Purchases during the year (which are included within additions in fixed assets note 10a):

Description	£
View of the Palace of Westminster by Herbert Menzies Marshall	6,760
Sketch drawing by CW Cope for 'Oxford Colleges' mural	400
The Lying in State of Queen Elizabeth the Queen Mother; a pair of watercolours by Hugh Buchanan	11,750
Sketch for the Group Painting of the House of Lords in Session, 1961/62, watercolour drawing by Alfred Reginald Thompson	412
View of the Crypt Chapel after the fire of 1834; watercolour by an unidentified artist	800
Portrait of Sarah Jennings, Duchess of Marlborough; oil on Canvas by the studio of Sir Godfrey Kneller	3,623
The Presentation of the Jubilee Addresses to the Queen in Westminster Hall; oil on canvas by Julian Barrow	4,700
Representation of the meeting of the House of Lords, 1689; Dutch engraving	1,300
Westminster Bridge and the Palace of Westminster; oil on canvas, English School (19 th Century) in the manner of Canaletto	4,705
Portrait of Sir Nathan Wright; attributed to J Closterman	4,000
Portrait of Philip of Spain; oil on canvas by Alexander Christie	4,750
Selection of pictures for Millbank House	13,623
Total	56,823

29. Post balance sheet event

As stated in the Foreword, on 12th June 2003 the Government announced its intention to abolish the Office of Lord Chancellor and to remove the Law Lords into a new Supreme Court sitting outside Parliament.