



HOUSE *of* LORDS

Resource Accounts
2007-08

(FOR THE YEAR ENDED 31st MARCH 2008)

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Contents

	Page
Foreword to the Resource Accounts	3
Statement of Accounting Officer's Responsibilities	7
Statement on Internal Control	8
Certificate and Report of the Comptroller and Auditor General	11
The Accounting Schedules:	
Statement of Parliamentary Supply	13
Operating Cost Statement	14
Balance Sheet	15
Cash Flow Statement	16
Statement of Operating Costs by Aim and Core Tasks	17
Notes to the Accounts	18
Remuneration Report	35

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 2008. The Resource Accounts contain the financial statements relating to the House of Lords Members' expenses and administration etc. Request for Resources, which includes catering and works services expenditure. Information is also included, by way of notes, on the House of Lords Security Fund, the House of Lords Works of Art Collection Fund and the House of Lords Refreshment Department trading activities.

Aims and Objectives

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

The core tasks of the House of Lords administration are:

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

Principal Activities

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

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

Management Commentary

a. Significant events during the year

The House Committee and the Management Board

In April 2007 the House authorities received the *Review of the Management Board* by Sir John Parker. In June, following the House Committee's consideration of the review, the two members of the Committee who had been closely involved in the 2002 changes to the internal governance structures, Lord Hunt of Wirral and Lord Tordoff, were invited to conduct a brief "post-implementation review" of those changes. Their report concluded that the present governance arrangements required only minor adjustment and the terms of reference of the House Committee and the other domestic committees were thus modified.

The Management Board acted upon a number of recommendations contained in the Parker review and, following the retirement of Sir Paul Hayter as Clerk of the Parliaments in November 2007, the opportunity was taken to reduce the size of the Board by one. Following the formal establishment of The Parliamentary ICT Service (PICT) as a joint department of both Houses on 1st April 2008, the size of the Board stands at eight.

The Parliamentary ICT Service (PICT)

A bicameral Parliamentary ICT Service (PICT) came into being at the beginning of January 2006 and 2007-08 was the second full financial year of operation. A bill was introduced in the House of Lords to enable PICT to be set up as a truly bicameral body, and received Royal Assent in was passed by the House of Lords in July 2007. The Parliamentary ICT Service (PICT) was formally established as a joint department of the two Houses on 1 April 2008.

Prior to the formal establishment of PICT, all staff of PICT were employed by one or other House. During 2007-08 detailed consideration was given to transitional issues by officials of both Houses working as the Joint Department Implementation Board. The Board reported to the two Corporate Officers in October and their recommendations were considered by the Management Board, approved by the House Committee and taken forward by the Human Resources Office and PICT.

Works and Accommodation

Detailed design work for the fit-out of 1 Millbank and consequential works to 2 Millbank were undertaken during the summer, culminating in presentations of a proposed design plan to the Administration and Works Committee and the House Committee in the autumn. The House Committee subsequently agreed that the design plan should go ahead at a total cost of £31.8m for the core renovation and additional works. While the Administration and Works Committee has taken the lead in ensuring the project meets Members' needs, the Information, Refreshment, and Works of Art Committees are being consulted on relevant aspects of the design plans.

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

The Parliamentary ICT Service (PICT) was formally established as a joint department of the two Houses on 1 April 2008. Eight House of Lords staff transferred to the joint department on that date.

In April 2008 the House Committee reviewed the timing of the Millbank project and agreed to align the commencement of works on 1 Millbank with the inauguration of the Supreme Court – and departure from the House of Lords of the Law Lords – in the autumn of 2009.

c. House of Lords Annual Report and Business Plan

Further details on the activities of the House of Lords in 2007-08 are contained in the *Annual Report 2007/08* (HL Paper 152) and in the booklet *The Work of the House of Lords*. Additionally, the *House of Lords Business Plan 2008* (HL Paper 80) sets out services to be provided by the administration for the period 2008-11. 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 2007-08 was £121.5M which was £6.2M lower than the Estimate. The main explanations for this variation against the Estimate are:

- movements in the valuation of the Parliamentary Estate led to the associated non-cash expenditure (i.e. depreciation, capital charges and revaluation costs) being less than anticipated (£3.8M)
- fewer sitting days than budgeted resulted in reimbursements to Members being less than expected (£0.7M)

- lower than anticipated spend in ICT services and the reclassification of certain ICT projects from current to capital expenditure (£1.5M)
- other overall lower than expected operational costs (£0.2M)

e. Management

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

Three Members – the Lord Speaker, Chairman of Committees and Principal Deputy Chairman of Committees – are eligible for a salary paid from House of Lords’ funds. As at 31st March 2008 the annual eligible salaries for 2007-08 were as follows:

Lord Speaker	£104,386
Chairman of Committees (including £1,667 London Supplement)	£83,171
Principal Deputy Chairman of Committees (including £1,667 London Supplement)	£77,917

On 4th November 2007 Michael Pownall was appointed Clerk of the Parliaments in succession to Sir Paul Hayter. As a result, a number of Management Board changes occurred. Details of the remuneration of the Management Board of the House of Lords are contained in the Remuneration Report.

In March 2008 the House Committee accepted the recommendation of the Clerk of the Parliaments that a new post of Director of Facilities should be established. The Director of Facilities will have responsibility for works, accommodation, facilities and services including the attendants, housekeepers, and the Refreshment Department. The post-holder will be a member of the Management Board and will report to the Clerk of the Parliaments.

f. Pensions

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

Public Interest and Other

Equal Opportunities, Diversity and Disability

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

Payments to Suppliers

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

The calculation of payment performance for 2007-08 has been based on continuous monitoring of payments throughout the year and 98.4% of payments made by the House of Lords met the policy criteria.

Staff Issues

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

The continuing commitment of the House administration to Investors in People (IiP) was recognised in October 2007 when IiP re-accreditation was successfully achieved.

Auditor

The Comptroller and Auditor General is the external auditor for the House of Lords. The notional audit fee for 2007-08 was £95,000 (2006-07 – £107,000). No further assurance or advisory services were provided by the auditors.

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

Michael Pownall

Clerk of the Parliaments and Accounting Officer

18th July 2008

Statement of Accounting Officer's Responsibilities

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

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

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

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

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

Statement on Internal Control

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the House of Lords administration, whilst safeguarding the public funds and assets for which I am personally responsible.

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify principal risks to the corporate objectives of the House of Lords Administration; to evaluate the likelihood and impact of those risks being realised; and to manage them efficiently, effectively and economically.

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. Following a review of risk management arrangements, the format of Office risk registers was altered during 2007-08. This change took longer than expected to implement and had an effect on the operation of the system during the early part of the year. These difficulties have been overcome and all levels of risk reporting are now fully functional.

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 regularly reported to the Management Board.

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

All House of Lords Offices are required to maintain separate risk registers; these are the primary means by which Heads of Offices report the management of risk. Each register requires an assessment of the extent to which corporate risks are being managed at Office level. For each risk detailed there is an assessment of exposure and an identified Office level risk owner. Heads of Offices are required to submit updated risk registers on a quarterly basis. These are used to prepare risk reports for all corporate risk owners on the Management Board.

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

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

Internal Financial Control

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

All payments made by the House of Lords in respect of current and capital works services take the form of reimbursement to the House of Commons of expenditure incurred on behalf of the House of Lords. 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.

The Palace of Westminster Special Services Agreement is a contract for the provision of security services to Parliament. It is a tripartite agreement between the House of Lords, the House of Commons and the Metropolitan Police Service. The recharging mechanism takes account of both direct and indirect costs and includes an apportionment of Metropolitan Police overheads which are inherently difficult for House of Lords finance staff to validate. Accordingly, I have sought, and have obtained, written assurance from the Metropolitan Police concerning the probity of these charges. I am content to rely upon this assurance.

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

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control and for ensuring continuous improvement. In forming my opinion on system effectiveness, I rely on assurance from a number of different sources including internal audit, which operates to defined Government Internal Audit Standards; executive managers within the House of Lords administration, particularly those charged with specific risk management responsibilities; the Audit Committee; the Management Board; and the National Audit Office.

I do not consider there to be any significant internal control issues that should be included in this statement. I am, however, mindful of the partial assurance provided by the Head of Internal Audit and there is a plan in place to address any areas for improvement in internal controls noted during the year, and to ensure continuous improvement of the system of internal control.

Michael Pownall

Clerk of the Parliaments and Accounting Officer

18th July 2008

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 2008. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by the House's Aim and Core Tasks and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

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

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

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

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

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 opinions

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

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

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the House of Lords' Financial Reporting Manual of the state of the House's affairs as at 31 March 2008 and the net cash requirement, net resource outturn, resources applied to aim and core task, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the House of Lords' Financial Reporting Manual; and
- information given within the Foreword and the unaudited part of the Remuneration Report is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

*T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS*

18th July 2008

Statement of Parliamentary Supply

Summary of Resource Outturn 2007-08

					2007-08 £000				2006-07 £000
Estimate					Outturn				Outturn
Request for Resources	Note	Gross		Net Total	Gross Expenditure	A in A	Net Total	Net Total outturn compared with Estimate: saving/(excess)	Net Total
		Expenditure	A in A						
Members' expenses and administration etc.	2	134,143	(6,469)	127,674	127,617	(6,117)	121,500	6,174	99,696
Total resources	3	134,143	(6,469)	127,674	127,617	(6,117)	121,500	6,174	99,696
Non-operating cost A in A				-			-	-	-

Summary of net cash requirement 2007-08

				2007-08 £000			2006-07 £000	
				Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving/(excess)	Outturn
Net cash requirement				4	111,334	98,748	12,586	77,582

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 2007-08 £000			Outturn 2007-08 £000	
		Note	Income	Receipts	Income	Receipts
Total		5	-	-	-	-

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

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

Operating Cost Statement

for the year ended 31 March 2008

	Note	2007-08 £000	2006-07 £000
Programme Costs			
Staff costs	6	20,976	19,651
Expenditure	7	106,641	86,274
Income	8	(6,117)	(7,303)
Totals		<u>121,500</u>	<u>98,622</u>
Net Operating Cost	3	<u>121,500</u>	<u>98,622</u>

Statement of Recognised Gains and Losses

for the year ended 31 March 2008

	Note	2007-08 £000	2006-07 £000
Actuarial loss and adjustments on pension commitments	14,15	4,129	(13,079)
Net gain on revaluation of tangible fixed assets	16a	6,481	15,940
Recognised gains and losses for the financial year		<u>10,610</u>	<u>2,861</u>

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

Balance Sheet

as at 31 March 2008

	Note	2008 £000	2007 £000
Fixed assets:			
Tangible assets	9	561,944	555,384
Intangible assets	10	635	913
Current assets:			
Stocks		199	214
Debtors	11	965	1,468
Cash at bank and in hand	12	479	1,310
		1,643	2,992
Creditors (amounts falling due within one year)	13	(4,322)	(4,971)
Net current assets		(2,679)	(1,979)
Total assets less current liabilities		559,900	554,318
Provisions for liabilities and charges	14	(79,424)	(78,535)
		480,476	475,783
Taxpayers' equity:			
General Fund	15	247,405	249,176
Revaluation Reserve	16a	232,854	226,390
Donated Asset Reserve	16b	217	217
		480,476	475,783

Michael Pownall

Clerk of the Parliaments and Accounting Officer

18th July 2008

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

Cash Flow Statement**for year ended 31 March 2008**

	Note	2007-08 £000	2006-07 £000
Net cash outflow from operating activities	17a	(67,696)	(69,135)
Capital expenditure and financial investment	17b	(31,052)	(8,447)
Receipts due to the Consolidated Fund which are outside the scope of the House's activities		-	1,074
Payments of amounts due to the Consolidated Fund		(1,074)	-
Financing	17c	98,991	77,046
(Decrease)/Increase in cash in the period	17d	(831)	538

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

Statement of Operating Costs by Aim and Core Tasks

for the year ended 31 March 2008

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

	2007-08			2006-07		
	Gross	Income	Net	Gross	Income	Net
Core task 1	26,849	(965)	25,884	26,426	(1,375)	25,051
Core task 2	43,951	(3,111)	40,840	38,535	(3,667)	34,868
Core task 3	4,670	(415)	4,255	4,421	(538)	3,883
Core task 4	52,147	(1,626)	50,521	36,543	(1,723)	34,820
Net operating costs	127,617	(6,117)	121,500	105,925	(7,303)	98,622

The House of Lords' objectives were as follows:

- Core task 1 To meet the needs of the House and its committees.
- Core task 2 To meet the parliamentary and judicial needs of individual Members regardless of party or office.
- Core task 3 To make the House and its work accessible to the public.
- Core task 4 To maintain the heritage and integrity of the House's buildings and collections.

See note 18

Notes to the Resource Accounts

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. Whilst the House of Lords is not obliged to comply with the HM Treasury's *Corporate Governance in Central Government Departments: Code of Good Practice*, it seeks to apply best practice principles wherever possible.

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

The Palace of Westminster is a Royal Palace and is under the joint stewardship of the House of Lords and the House of Commons. Responsibility for maintenance of the Palace and the Parliamentary Estate is a function resting with the Parliamentary Estates Directorate and the 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 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 appropriate indices based on the RICS 'Tender Price Index'. The remainder of the Parliamentary Estate is revalued using appropriate indices from HM Treasury.

Notes to the Resource Accounts - *continued*

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

ii. Antique Furniture

The antique furniture was previously valued at 31st March 1998. Each year the Furniture Manager in the Parliamentary Works Services Directorate carries out an internal review to assess if any revaluation adjustment is required. During 2006-07 the furniture was valued by H Blairman & Sons who gave an indicative valuation for purposes of insurance which is the value used at 31st March 2008. Due to the nature and length of ownership of the antique furniture, the valuation adjustment passed through the revaluation reserve and the general fund, rather than the operating cost statement. The adjustment is included in the Statement of Recognised Gains and Losses.

iii. Plant and Machinery

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

iv. Other Tangible Assets

Other tangible assets have been stated at current cost using appropriate indices where appropriate. For 2007-08 other tangible assets were not subject to revaluation as the modified costs were not material.

v. Assets in the Course of Construction

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

vi. Intangible Fixed Assets

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

1.4 Non-Operational Heritage Assets

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

i. Works of Art Collection

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

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

ii. The Parliamentary Archives

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

Notes to the Resource Accounts - *continued*

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

iii. Early Printed Books

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

iv. Members' Robes

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

1.5 Depreciation and Amortisation

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

Palace of Westminster	87 years
Other buildings	remaining life (between 22-35 years)
Fixtures and fittings	10 years
Refreshment Department silverware	20 years
Broadcasting equipment	10 years
Telephone equipment	5-10 years
General office equipment	5-10 years
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.

Notes to the Resource 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 real rate set by HM Treasury, currently 3.5%, on the average carrying amount of all assets less liabilities, except for:

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

1.11 Foreign exchange

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

1.12 Pensions

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

1.13 Leases

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

1.14 Grants payable

The House of Lords makes an annual grant to the History of Parliament Trust: 2007-08 £330,000 (2006-07 £325,000).

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 25. The Fund has not been included in the list of assets and liabilities on the balance sheet. The House of Lords Refreshment Department receives and pays gratuities on behalf of its staff; for 2007-08 the amount paid was £341,000 (2006-07 – £295,000). The balance held at the end of the financial year was £36,363.

1.16 Contingent Liabilities

Potential contingent liabilities are reviewed each year and disclosed in a note to the accounts (see note 22). In addition to contingent liabilities disclosed in accordance with FRS 12, the House discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Government Accounting. Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated in the amounts reported to Parliament.

1.17 Value Added Tax

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

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

							2007-08 £000	2006-07 £000	
							Estimate		
							Outturn		
							Net Total	Net Total outturn compared with Estimate	Prior- year outturn
Admin	Other current	Grants	Gross resource Expenditure	A in A	Net Total	Net Total	Net Total		
Request for resources 1: Members' expenses and administration, etc.									
Administration	-	63,030	330	63,360	(4,914)	58,446	62,396	(3,950)	55,697
Works Services	-	40,255	-	40,255	(1,203)	39,052	41,147	(2,095)	42,951
Administration (AME)	-	24,002	-	24,002	-	24,002	24,131	(129)	1,048
Total	-	127,287	330	127,617	(6,117)	121,500	127,674	(6,174)	99,696

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

3. Reconciliation of net resource outturn to net operating cost

		2007-08 £000	2006-07 £000		
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	2	121,500	127,674	(6,174)	99,696
Non-supply income (CFERs)	5	-	-	-	(1,074)
Net operating cost		121,500	127,674	(6,174)	98,622

4. Reconciliation of resources to cash requirement

		Estimate £000	Outturn £000	Net total outturn compared with estimate: saving/(excess) £000
	Note			
Resource Outturn	2	127,674	121,500	6,174
Capital				
Acquisition of fixed assets	9,10	34,350	31,052	3,298
Non operating A in A				
Proceeds of fixed asset disposals		-	-	-
Accruals adjustments				
Non-cash items	7	(48,584)	(51,730)	3,146
Changes in working capital other than cash	17a	2,247	(700)	2,947
Use of provision	14	(4,353)	(1,374)	(2,979)
Adjustment to net cash requirement		-	-	-
Net cash requirement		111,334	98,748	12,586

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

	Note	2007-08 £000	2006-07 £000
Operating Income	8	6,117	7,303
Income authorised to be appropriated-in-aid		(6,117)	(6,229)
Operating income payable to the Consolidated Fund		-	1,074

6. Staff numbers and related costs

Staff costs comprise:

	2007-08 £000	2006-07 £000
Wages and salaries	15,795	14,405
Social security costs	1,368	1,289
Other pension costs	4,456	4,717
Sub Total	21,619	20,411
Less recoveries in respect of outward secondments	(643)	(760)
Total net costs	20,976	19,651

The House of Lords Staff Pension Scheme (HOLSPS) is an unfunded defined benefit scheme which is operated 'by analogy' with the Principal Civil Service Pension Scheme. The House of Lords meets the costs of all benefits. A provision to meet the liability is included on the balance sheet. The HOLSPS is a 'by analogy' scheme, the Government Actuary's Department has devised a model to assist organisations with small 'by analogy' to the PCSPS schemes to value their liabilities. The amount in the financial statements has been calculated using this valuation method. The date of valuation is 31st March 2008.

For 2007-08, employers' contributions of £2,649,094 were accrued at rates in the range 17.1-25.5% of pensionable pay, based on salary bands. The rates are reviewed every four years by the Government Actuary and advised by HM Treasury. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred.

Employees joining after 1st October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £29,341 were paid to one or more of a panel of appointed stakeholder pension providers. Employer contributions are age-related and range from 3-12.5% of pensionable pay. Contributions due to the partnership pension providers at the balance sheet date were £3,153. Contributions prepaid at that date were nil.

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

Average number of persons employed

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

	2007-08	2006-07
House of Lords Administration	446	420

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

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

	Note	2007-08 £000	2006-07 £000
Rentals under operating leases		1,299	801
Non-cash items			
Depreciation	9	7,680	6,624
Amortisation	10	354	385
Loss on disposal of fixed assets		47	8
Loss on revaluation of fixed assets		23,170	-
Cost of Capital Charges		16,740	16,941
Auditors' remuneration and expenses		95	107
Interest cost on provisions	14	3,644	3,289
<i>Total non-cash items</i>		<i>51,730</i>	<i>27,354</i>
Members' Expenses		18,399	17,718
Security		9,427	9,313
Estates & Works expenditure		12,680	18,578
Other expenditure		13,106	12,510
Total		106,641	86,274

8. Income

	2007-08 £000	2006-07 £000
Refreshment Department sales	3,786	3,440
Pension contributions and transfers in	598	2,147
Judicial fees and taxation	474	445
Fees, charges and rental income	1,259	1,271
	6,117	7,303

The amount applied as appropriations in aid totalled £6,117,033.

Notes to the Resource Accounts - *continued***9. Tangible fixed assets**

	Land & Buildings	Fixtures & Fittings	Information Technology	Plant & Machinery	Heritage Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 st April 2007	961,622	1,382	6,590	1,293	9,623	3,192	983,702
Additions	28,687	166	1,678	354	33	58	30,976
Disposals	-	(75)	(729)	-	-	-	(804)
Reclassifications	3,105	-	-	87	-	(3,192)	-
Revaluations	(13,764)	4	-	-	-	-	(13,760)
At 31st March 2008	979,650	1,477	7,539	1,734	9,656	58	1,000,114
Depreciation							
At 1 st April 2007	422,803	720	4,795	-	-	-	428,318
Charged in year	6,809	129	735	7	-	-	7,680
Disposals	-	(53)	(704)	-	-	-	(757)
Reclassifications	-	-	-	-	-	-	-
Revaluations	2,929	-	-	-	-	-	2,929
At 31st March 2008	432,541	796	4,826	7	-	-	438,170
Net book value at 31st March 2008	547,109	681	2,713	1,727	9,656	58	561,944
Net book value at 31 st March 2007	538,819	662	1,795	1,293	9,623	3,192	555,384

Analysis of Land and Buildings

	Land		Buildings			Total
	Freehold	Long Leasehold	Freehold	Long Leasehold	Dwellings	
	£000	£000	£000	£000	£000	
Cost or valuation						
At 1 st April 2007	77,615	22,329	822,988	37,128	1,562	961,622
Additions	-	-	1,743	26,944	-	28,687
Disposals	-	-	-	-	-	-
Reclassifications	-	-	3,105	-	-	3,105
Revaluations	(12,295)	3,751	15,215	(21,662)	1,227	(13,764)
At 31st March 2008	65,320	26,080	843,051	42,410	2,789	979,650
Depreciation						
At 1 st April 2007	-	-	419,637	3,089	77	422,803
Charged in year	-	-	4,741	2,029	39	6,809
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluations	-	-	5,513	(2,507)	(77)	2,929
At 31st March 2008	-	-	429,891	2,611	39	432,541
Net book value at 31st March 2008	65,320	26,080	413,160	39,799	2,750	547,109
Net book value at 31 st March 2007	77,615	22,329	403,351	34,039	1,485	538,819

Notes to the Resource Accounts - continued*Land and buildings*

The Parliamentary Estate was re-valued during 2007-08 by the Valuation Office Agency on the basis of Depreciated Replacement Cost. The valuation date was 31st March 2008. The total value of the Palace as at 31st March 2008 was £1,187,948,928 (House of Lords share £475,179,571). The remainder of the Parliamentary Estate was re-valued using Existing Life Use.

Fixtures and Fittings

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

Plant and Machinery

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

Works of Art

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

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

Additions purchased since 1st April 2000 are capitalised and included in Heritage Assets. The value of Works of Art as at 31st March 2008 was £380,000. Details of the Works of Art Collection Fund are in note 27.

10. Intangible fixed assets

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

	2007-08	2006-07
	£000	£000
Cost or valuation		
At 1 st April	2,151	1,925
Additions	76	226
Reclassifications	-	-
Disposals	-	-
Revaluation	-	-
At 31st March	2,227	2,151
Amortisation		
At 1 st April	1,238	853
Charged in year	354	385
Disposals	-	-
Revaluation	-	-
At 31st March	1,592	1,238
Net book value at 31st March	635	913

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

	2007-08	2006-07
	£000	£000
Amounts falling due within one year:		
Trade debtors	581	538
Deposits and advances	75	639
Prepayments and accrued income	309	291
	965	1,468

12. Cash at bank and in hand

	2007-08	2006-07
	£000	£000
Balance at 1 April	1,310	772
Net change in cash balances	(831)	538
Balance at 31 March	479	1,310

The following balances at 31 March were held at:

Office of HM Paymaster General	93	878
Commercial banks and cash in hand	386	432
Balance at 31 March	479	1,310

13. Creditors

	2007-08	2006-07
	£000	£000
Amounts falling due within one year		
Trade creditors	701	872
Other creditors	1,665	1,870
VAT	(9)	68
Accruals and deferred income	1,486	851
Amounts issued from the Consolidated Fund for supply but not spent at year end	479	236
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	-	1,074
	4,322	4,971

Notes to the Resource Accounts - *continued***14. Provisions for liabilities and charges: pension liability**

The House of Lords Staff Pension Scheme is an unfunded defined benefit scheme 'by analogy' to the Principal Civil Service Pension Scheme. A full valuation was carried out at 31 March 2008 by the Government Actuary's Department in accordance with the Financial Reporting Manual (FRM). The major assumptions used by the Actuary were:

Financial assumptions	31st March 2008	31st March 2007
	%	%
The inflation assumption	2.75	2.75
The rate of increase in salaries	4.30	4.30
The rate of increase for pensions in payment and deferred pensions	2.75	2.75
The rate used to discount scheme liabilities	5.30	4.60

Analysis of movement in scheme liability

	2007-08	2006-07
	£000	£000
Value of liabilities at 1 st April	78,535	59,670
Current service cost	4,245	2,906
Past service cost	-	-
Interest on scheme liability	3,644	3,289
Enhancements	-	-
Pension transfers in	111	1,747
Benefits payable	(2,706)	(2,087)
Pension payments to and on account of leavers	(276)	(69)
Actuarial (gain)/loss	(4,129)	13,079
Balance at 31st March	79,424	78,535

Analysis of benefits paid

	2007-08	2006-07
	£000	£000
Pensions to retired employees and dependants	2,012	1,889
Commutations and lump sum benefits on retirement	694	198
	2,706	2,087

Analysis of payments to and on account of leavers

	2007-08	2006-07
	£000	£000
Refunds to members leaving service	-	-
Group transfers to other schemes	-	-
Individual transfers to other schemes	276	69
	276	69

Analysis of actuarial gain/(loss)

	2007-08	2006-07
	£000	£000
Experience (gains)/losses arising on scheme liabilities	1,062	104
Changes in assumptions underlying the present value of the scheme liabilities	(5,191)	12,975
	(4,129)	13,079

History of experience gains and losses

	2007-08	2006-07
	£000	£000
Experience (gains)/losses on liabilities		
Amount	1,062	104
Percentage of the present value of the scheme liabilities	1.3%	0.1%
Total amount recognised		
Amount	(4,129)	13,079
Percentage of the present value of the scheme liabilities	(5.2)%	16.7%

Notes to the Resource Accounts - *continued***15. General Fund**

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

	2007-08	2006-07
	£000	£000
Balance at 1 April	249,176	275,740
Net Parliamentary Funding		
Drawn Down	98,991	77,046
Deemed	236	772
Year end adjustment		
Supply Creditor – current year	(479)	(236)
Net Transfer from Operating Activities		
Net Operating Cost (Schedule 2)	(121,500)	(98,622)
CFERS repayable to Consolidated Fund	-	(1,074)
Non Cash Charges		
Cost of Capital	16,740	16,941
Auditors' remuneration	95	107
Transfer from Revaluation Reserve	17	19
Pension scheme adjustments	4,129	(13,079)
Adjustment for antique furniture	-	(8,438)
Balance at 31 March	247,405	249,176

16. Reserves**16(a) Revaluation Reserve**

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

	2007-08	2006-07
	£000	£000
Balance at 1 April	226,390	202,031
Arising on revaluation during the year (net)	6,481	24,378
Transferred to general fund in respect of realised element of revaluation reserve	(17)	(19)
Balance at 31 March	232,854	226,390

16(b) Donated Asset Reserve

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

	2007-08	2006-07
	£000	£000
Balance at 1 April	217	217
Additions during the year	-	-
Balance at 31 March	217	217

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

	Note	2007-08 £000	2006-07 £000
Net operating cost		(121,500)	(98,622)
Adjustments for non-cash transactions	7	51,730	27,354
Decrease/(Increase) in Stock		15	(29)
Decrease in Debtors	11	503	1,520
Increase/(Decrease) in Creditors	13	182	(781)
<i>less movements in creditors relating to items not passing through the OCS</i>		-	(1,074)
Use of provisions	14	1,374	2,497
Net cash outflow from operating activities		(67,696)	(69,135)

17(b) Analysis of capital expenditure and financial investment

	Note	2007-08 £000	2006-07 £000
Tangible fixed asset additions	9	(30,976)	(8,221)
Intangible fixed asset additions	10	(76)	(226)
Proceeds of disposal of fixed assets		-	-
Net cash outflow from investing activities		(31,052)	(8,447)

17(c) Analysis of financing

	2007-08 £000	2006-07 £000
From the Consolidated Fund (Supply) – current year	98,991	77,046
From the Consolidated Fund (Supply) – prior year	-	-
Net financing	98,991	77,046

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

	2007-08 £000	2006-07 £000
Net cash requirement	(98,748)	(77,582)
From the Consolidated Fund (Supply) – current year	98,991	77,046
From the Consolidated Fund Supply – prior year	(1,074)	-
Amounts due to the Consolidated Fund received and not paid	-	1,074
Increase/(Decrease) in cash	(831)	538

Notes to the Resource Accounts - *continued***18. Note to the Statement of Operating Costs by Aim and Core Tasks**

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

19. Capital commitments

	2007-08	2006-07
	£000	£000
Contracted capital commitments at 31 March 2008 for which no provision has been made:	2,852	1,581

20. Commitments under leases*Operating leases*

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

	2007-08	2006-07
	£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	112
Expiry thereafter	506	581
	618	693
Other:		
Expiry within one year	4	4
Expiry after 1 year but not more than 5 years	47	41
Expiry thereafter	-	-
	51	45

Finance Leases

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

21. 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.

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

The House has entered into quantifiable contingent liabilities, relating to Works of Art on loan to the House of Lords, by offering guarantees, indemnities or by giving letters of comfort. These totalled £2,221,000 as at 31st March 2008 (31st March 2007 – £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.

23. Losses and Special Payments

No exceptional kinds of expenditure such as losses and special payments, that require separate disclosure because of their nature or amount, have been incurred (2006-07 – nil).

24. Related-party transactions

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

These joint arrangements are charged between the two Houses on an agreed percentage basis of underlying costs for each service (certain accommodation and overhead costs are excluded). Each House includes their share of the relevant asset base and/or service cost in their Resource Accounts. The percentage for each House for the key areas is as follows:

Service	House of Lords	House of Commons
Accommodation and Works services	40%	60%
Communications services	20%	80%
Parliamentary archives	60%	40%
Visitor Tours	30%	70%
Broadcasting services	40%	60%

The House of Commons incurred expenditure of £24,141,000 on behalf of the House of Lords during 2007-08. The balance relating to accommodation, works and other shared services owed by the House of Lords to the House of Commons was £1,150,000.

The House of Lords incurred expenditure of £474,000 on behalf of the House of Commons during 2007-08. The balance owed to the House of Lords by the House of Commons was £21,000.

Notes to the Resource Accounts - continued**25. The House of Lords Security Fund Account**

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

	2007-08	2006-07
	£000	£000
Opening balance of Fund at 1 st April	1,720	1,713
Add: receipts – Lodgements by Appellants	500	450
Less: repayments to Appellants/Respondents	(568)	(443)
Closing balance of Fund at 31st March	1,652	1,720

The closing balance of £1,652,000 was made up of 1 Deposit of £12,000, 5 Deposits of £18,000 and 62 Deposits of £25,000.

26. House of Lords Refreshment Department Trading Activities

The House of Lords Refreshment Department provides a wide range of catering facilities to Members and House of Lords' staff. Members may sponsor private functions, and this type of service accounted for 52.47% of sales in 2007-08.

The Refreshment Department operates under a policy first agreed between the House of Lords and HM Treasury in 1981. In accordance with this policy, the department is required to trade on the basis of 50% gross profit on all turnover. Sales of 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 2007-08 amounted to £3,786,043. Gross profit on sales calculated according to the formula above was 64.0% and gross profit on all sales was £1,967,952.

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

Notes to the Resource Accounts - *continued***27. The House of Lords Works of Art Collection Fund**

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

	<u>2007-08</u>	<u>2006-07</u>
	£000	£000
Opening balance of Fund at 1 st April	59	38
Add receipts:		
Grant from RfR	50	50
Net interest received	-	1
	<u>109</u>	<u>89</u>
Less: Purchases during the year (see below)	<u>26</u>	<u>30</u>
Closing Balance of Fund as at 31 st March	<u>83</u>	<u>59</u>

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

Description	£
View of the Houses of Parliament <i>Watercolour by F A Manlove</i>	235
Lord Chancellor's robes of Lord Eldon	8,028
View of Victoria Tower from Central Tower <i>Oil on canvas by Frank Sailsbury</i>	1,852
Series of 46 images from <i>Truth</i> magazine	400
Portrait commission of Lord Speaker <i>Oil on canvas by Sergi Pavlenko</i>	10,000
Photographic commission for 50 th Anniversary Of Life Peers entering the House of Lords	5,000
Preparatory sketch for Peers Corridor Murals <i>Watercolour on paper by Charles West Cope</i>	350
Series of 12 images from <i>Truth Magazine</i>	120
Total	25,985

28. Post Balance Sheet Event

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

Remuneration Report 2007-08

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

The Clerk of the Parliaments is supported by a Management Board, which he chairs. The membership of the Management Board is designed to reflect the wide range of services provided to the House and its Members. In 2007-08 its members were as follows:

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

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

Remuneration policy

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

Salary and pension entitlements

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

	2007-08		2006-07	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Michael Pownall <i>Clerk of the Parliament (from 4th November 2007)</i> <i>Clerk Assistant (until 3rd November 2007)</i>	135-140	-	115-120	-
David Beamish <i>Clerk Assistant (from 4th November 2007)</i> <i>Reading Clerk (until 3rd November 2007)</i>	105-110	-	100-105	-
Rhodri Walters <i>Reading Clerk (from 4th November 2007)</i> <i>Clerk of Committees (until 3rd November 2007)</i>	105-110	-	100-105	-
Lieutenant-General Sir Michael Willcocks, KCB <i>Gentleman Usher of the Black Rod</i>	90-95	see below	85-90	see below
Simon Burton <i>Director of Human Resources</i> <i>(from 12th November 2007)</i>	30-35 (75-80 full year equivalent)	-	N/A	N/A
Philippa Tudor <i>Finance Director (from 12th November 2007)</i> <i>Head of Human Resources (until 11th November 2007)</i>	90-95	-	85-90	-
Elizabeth Hallam Smith <i>Director of Information Services and Librarian</i>	95-100	-	85-90	-
Sir Paul Hayter, KCB LVO <i>Clerk of the Parliament</i> <i>(retired 3rd November 2007)</i>	95-100 (165-170 full year equivalent)	-	155-160	-
Edward Ollard <i>Finance Director</i> <i>(until 3rd November 2007)</i>	50-55 (90-95 full year equivalent)	-	80-85	-

Remuneration Report 2007-08 - 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 2007-08 the taxable benefit for the residence was £4,913 (2006-07 - £4,737).

Pensions

The pension benefits of the Management Board were as follows:

	Accrued pension and related lump sum at 31/3/08 £000	Real increase in pension and related lump sum at 31/3/08 £000	CETV at 31/3/08 £000	CETV at 31/3/07 £000	Real increase in CETV £000
Michael Pownall <i>Clerk of the Parliament</i>	65-70 <i>Plus lump sum of 185-190</i>	10-12.5 <i>Plus lump sum of 32.5-35</i>	1,559	1,143	265
David Beamish <i>Clerk Assistant</i>	40-45 <i>Plus lump sum of 130-135</i>	2.5-5 <i>Plus lump sum of 10-12.5</i>	966	777	77
Lieutenant-General Sir Michael Willcocks, KCB <i>Gentleman Usher of the Black Rod</i>	5-10 <i>Plus lump sum of 20-25</i>	0-2.5 <i>Plus lump sum of 2.5-5</i>	181 ¹	137 ¹	24
Rhodri Walters <i>Reading Clerk</i>	45-50 <i>Plus lump sum of 140-145</i>	0-2.5 <i>Plus lump sum of 2.5-5</i>	1,139	973	28
Philippa Tudor <i>Finance Director</i>	25-30 <i>Plus lump sum of 80-85</i>	0-2.5 <i>Plus lump sum of 2.5-5</i>	524	429	27
Elizabeth Hallam Smith <i>Director of Information Services and Librarian</i>	45-50 <i>Plus lump sum of N/A²</i>	5-7.5 <i>Plus lump sum of N/A²</i>	955	736	105
Simon Burton <i>Director of Human Resources (from 12th November 2007)</i>	25-30 <i>Plus lump sum of 85-90</i>	0-2.5 <i>Plus lump sum of 2.5-5</i>	454	387 ³	18
Sir Paul Hayter, KCB LVO <i>(retired 3rd November 2007)</i>	90-95 ⁴ <i>Plus lump sum of 270-275</i>	0-2.5 ⁴ <i>Plus lump sum of 5-7.5</i>	2,100 ⁴	1,980	48
Edward Ollard <i>(until 3rd November 2007)</i>	20-25 ⁴ <i>Plus lump sum of 70-75</i>	0-2.5 ⁴ <i>Plus lump sum of 5-7.5</i>	390 ⁴	363	10

¹ Notional figure used from CSP spreadsheet- member is over 60

² No automatic lump sum, member is in Premium Scheme

³ CETV as at 12/11/2007

⁴ Figures given as at 3rd November 2007

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

Remuneration Report 2007-08 - *continued*

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Michael Pownall

Clerk of the Parliaments and Accounting Officer

18th July 2008