



HOUSE OF LORDS

# Resource Accounts 2009/10

(For the year ended 31st March 2010)

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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 31 March 2010. 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 in 2009-10 have been:

- 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; and
- 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.

Up until the creation of the UK Supreme Court, the House of Lords was the ultimate court of appeal in the United Kingdom for all cases except Scottish criminal cases. This work was carried out by 12 Lords of Appeal in Ordinary (Law Lords).

### Management Commentary

#### a. Significant events during the year

##### *Law Lords and the UK Supreme Court*

The Law Lords and Judicial Office function transferred to the new UK Supreme Court during the summer of 2009. The last judicial sittings in the House of Lords took place in July 2009, the new Supreme Court subsequently commenced in October 2009.

##### *Works and Accommodation*

The refit of the Millbank Island site has continued during 2009-10. Due to the nature of the renovation and additional works, Members and staff who occupied the building have decanted to 14 Tothill Street for a period of two years until the Millbank Island site renovation is complete.

### *Review Body on Senior Salaries (SSRB) report*

In the light of both the media allegations and concerns over the Members' Reimbursement Scheme during 2009-10, the House Committee of the House of Lords asked the Prime Minister to commission the Review Body on Senior Salaries (SSRB) to carry out a review of the financial support for Members of the House of Lords and to make recommendations. The SSRB's report 'Report no. 71 – Review of financial support for Members of the House of Lords' was published on 26 November 2009.

On 15 December 2009, following the agreement of the House to the principles and architecture of the report by the SSRB, the House appointed an ad-hoc group "to consider and consult on issues in the report and to advise on their implementation". The group is expected to report to the House Committee early in the 2010-11 Parliament.

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

A General Election was held on 6 May 2010 which led to the creation of a new government; a coalition between the Conservative Party and the Liberal Democrats. As a result of the new government there were ministerial changes in the House of Lords and Lord Strathclyde became Leader of the House.

From the start of the new Parliament (on 18 May), all Members seeking to claim night subsistence must sign a declaration stating the location of their principal residence and provide copies of documents to verify that their principal residence is outside Greater London.

A new Code of Conduct for Members, which sets out rules on Members' expenses, interests and employment, was adopted by the House at the start of the new Parliament on 18 May. All complaints about Members' conduct, including complaints about expense claims, will be considered by a new office of Lords Commissioner for Standards. The position of the independent Lords Commissioner for Standards is enshrined in the new Lords Code of Conduct, and Paul Kernaghan, former Chief Constable of Hampshire Constabulary, was appointed as the Lords' first Commissioner for Standards on 2 June 2010.

### **c. House of Lords Annual Report and Business Plan**

Further details on the activities of the House of Lords in 2009-10 are contained in the *Annual Report 2009/10* (HL Paper 20) and in the booklet *The Work of the House of Lords*. Additionally, the *House of Lords Business Plan 2010/11* (HL Paper 71) sets out services to be provided by the Administration for the period 2010-13. 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](http://www.parliament.uk)).

### **d. Operating and Financial Review**

The 2009-10 Resource Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), note 2 of the accounts details the transitional amendments required in prior years to move from UK GAAP to IFRS. The House of Lords Administration's outturn on net total resources for 2009-10 was £111.7M which was £6.7M 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 being less than anticipated by £1.1M and £1.9M on depreciation and cost of capital respectively

- Depreciation was underspent by £0.3M as a direct result of lower than budgeted spend on capital investment
- Shared services projects other than PICT and Estates projects were underspent by £0.2M
- Spend on IT related projects and PICT services was underspent by £1.7M primarily due to the provided budget not being required in the current year
- Efficiency savings of £0.3M in relation to the Metropolitan Police Security contract
- Staff pay and related costs were underspent by £0.5M mainly due to vacancies in a variety of posts throughout the year
- Lower than anticipated operational spend led to an underspend of £0.7M

During 2009-10 taxpayers' equity reduced significantly. This was due to the downward revaluation of Parliamentary Estate (£141.4M) and the revaluation and actuarial movements in the pension liability (£27.5M).

### 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 31 March 2010 the annual salaries for 2009-10 were as follows:

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

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

### f. Pensions

Present and past employees of the House of Lords are covered by the provisions of the House of Lords Staff Pension Scheme (HOLSPS). The scheme is an unfunded defined benefit scheme which is operated 'by analogy' with the Principal Civil Service Pension Scheme. The statement of financial position includes a provision against which future pension benefits will be charged when paid. The annual accruing cost of benefits is charged to the operating cost statement (see notes 1.12 and 18).

## **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 2009-10 has been based on continuous monitoring of payments throughout the year and 97.3% (2008-09 96.3%) of payments made by the House of Lords met the policy criteria.

### *Staff Issues*

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

### *Auditor*

The Comptroller and Auditor General is the external auditor for the House of Lords. The notional audit fee for 2009-10 was £100,000 (2008-09 – £103,000). No further assurance or advisory services were provided by the auditors.

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

*Michael Pownall*

Clerk of the Parliaments and Accounting Officer

16 July 2010

## 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, Statement of Operating Costs by Aim and Core Tasks, Statement of Changes in Taxpayers' Equity and cash flows for the financial year.

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

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

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

## Statement on Internal Control

### Scope of Responsibility

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

### Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify principal risks to the corporate objectives of the House of Lords Administration; to evaluate the likelihood and impact of those risks being realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place throughout the House of Lords Administration during the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords, as far as is practicable, with HM Treasury guidance.

### Capacity to Handle Risk

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

Each corporate risk of the House of Lords Administration has a nominated risk owner on the Management Board. These officials are responsible for ensuring that the risks allocated to them are managed effectively in accordance with the Administration's risk strategy, and for reporting relevant risk information to the Management Board according to a defined timetable.

The Secretary to the Management Board is responsible for maintenance of the House of Lords corporate risk register. This is updated on a monthly basis using input provided by corporate risk owners and has, since the Autumn of 2009, been considered at every meeting of 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 is asked to identify and assess key risks to the achievement of its strategic objectives. These risks are referred to in the business plans of each Office and are described in detail in Office risk registers.

## **The Risk and Control Framework**

### *Risk Management*

The Management Board, the Audit Committee and the House Committee all contribute to the development of the risk and control framework. The Management Board has primary responsibility for the development of risk management policy and for implementing appropriate and effective strategies for the management of all corporate risks. The Audit Committee has responsibility for reviewing the Administration's approach to risk and for considering and advising on prevailing exposure levels. The Audit Committee provides assurances on the effectiveness of risk management to me, as Accounting Officer, and, via its annual report, to the House Committee. The House Committee is also informed of any substantive change of policy in this area.

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

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

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

### *Information Risk*

Work has continued during 2009-10 to strengthen House of Lords management of information and data security risks. Key roles and responsibilities in this area are clearly defined, with primary responsibility delegated to the Reading Clerk as Senior Information Risk Owner. Information assurance arrangements were subject to internal audit review during 2009-10 using current Cabinet Office guidelines as a basis of assessment. Although the report offered partial assurance in terms of the current situation, it pointed to several important initiatives now in train, all of which are expected to be completed during 2010-11. I have asked the Head of Internal Audit to reassess the position at an appropriate point after completion of this work.

### *External Assurance*

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

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

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

### **Review of Effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control and for ensuring continuous improvement. A key source of assurance is the Internal Audit section which operates to defined Government Internal Audit Standards. Based on review work delivered during 2009-10, the Head of Internal Audit has provided a substantial overall assurance on the strength of House of Lords risk management, control and governance processes.

The review of effectiveness is further informed by the work of executive managers within the House of Lords who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports. I am also guided by the views of the Audit Committee and the Management Board. All Management Board members have been asked to prepare specific declarations regarding the strength of internal control arrangements in the areas for which they are responsible. These have provided supporting evidence to me as Accounting Officer and have helped to underpin this Statement.

Payments made under the House of Lords Members' Reimbursement Scheme continue to comprise a significant proportion of the expenditure for which I am responsible. Early in the year criticisms were made in the media about the Scheme, in particular the absence of controls over the designation of Members' main residences and of vouching or receipts in support of claims. On the initiative of the House Committee, the Scheme was referred for independent review by the Senior Salaries Review Body which published its report in November 2009.

Responding to the SSRB's recommendations, it was agreed that from the start of the new Parliament (18 May 2010) all Members seeking to claim night subsistence must sign a declaration stating the location of their principal residence and provide copies of documents from an approved list to verify that the principal residence is outside Greater London. These declarations will be published. Under a new Code of Conduct for Members (which also came into effect on 18 May), all complaints about Members' conduct, including complaints about expense claims, will be considered by a new office of Lords Commissioner for Standards. The position of the independent Lords Commissioner for Standards is enshrined in the new Lords Code of Conduct, and Paul Kernaghan, former Chief Constable of Hampshire Constabulary, was appointed as the Lords' first Commissioner for Standards on 2 June 2010. The other SSRB recommendations about expenses remain under consideration.

Several complaints were made against Members of the House of Lords, the investigation of which fell to me as Accounting Officer. As part of the investigative process, and to allow a more objective assessment of complaints about past claims, the House Committee endorsed my proposal for a minimum requirement to reside at an address deemed to be a main residence, below which it would not be acceptable to claim overnight subsistence. All of my investigations are now complete with some having been referred to the Sub-Committee on Lords' Interests (now the Sub-Committee on Lords Conduct).

Control arrangements governing payments to Members are already considerably strengthened and will be reassessed once the House has responded formally to the latest SSRB recommendations.

*Michael Pownall*

Clerk of the Parliaments and Accounting Officer

16 July 2010

## **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 2010. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity, the Statement of Operating Costs by 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**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the House of Lords' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the House of Lords; and the overall presentation of the financial statements.

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

### **Opinion on Regularity**

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

### **Opinion on Financial Statements**

In my opinion:

- the financial statements give a true and fair view of the state of the House of Lords' affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, net operating costs applied to the House of Lords' aim and core tasks, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the House of Lords' Financial Reporting Manual.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the House of Lords' Financial Reporting Manual; and
- the information given in the Foreword and the unaudited part of the Remuneration Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

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

*22 July 2010*

## Statement of Parliamentary Supply

### Summary of Resource Outturn 2009-10

Request for Resources	Note	2009-10 £000			2009-10 £000			Net Total outturn compared with Estimate: saving/ (excess)	2008-09 £000 Outturn
		Estimate			Outturn				
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total		Net Total
Members' expenses and administration etc.	3	124,910	(6,565)	118,345	118,069	(6,414)	111,655	6,690	103,918
Total resources	4	<b>124,910</b>	<b>(6,565)</b>	<b>118,345</b>	<b>118,069</b>	<b>(6,414)</b>	<b>111,655</b>	<b>6,690</b>	<b>103,918</b>
Non-operating cost A in A		-	-	-	-	-	-	-	-

### Net cash requirement 2009-10

	Note	2009-10 £000			Net Total outturn compared with Estimate: saving/(excess)	2008-09 £000 Outturn
		Estimate	Outturn			
Net cash requirement	5	<b>98,068</b>	<b>86,227</b>	<b>11,841</b>	<b>75,012</b>	

### Summary of income payable to the Consolidated Fund.

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

	Note	Forecast 2009-10 £000		Outturn 2008-09 £000	
		Income	Receipts	Income	Receipts
Total	6	-	-	-	-

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

The notes on pages 20 to 40 form part of the accounts

## Operating Cost Statement

for the year ended 31 March 2010

	<b>Note</b>	<b>2009-10 £000</b>	<b>2008-09 £000</b>
<b>Programme Costs</b>			
Staff costs	7	21,883	22,967
Expenditure	8	96,186	87,541
Income	9	(6,414)	(7,553)
<b>Totals</b>		<b>111,655</b>	<b>102,955</b>
<b>Net Operating Cost</b>	4	<b>111,655</b>	<b>102,955</b>

The notes on pages 20 to 40 form part of the accounts

## Statement of Financial Position

as at 31 March 2010

		31 March 2010	31 March 2009	1 April 2008
		£000	£000	£000
	Note			
<b>Non-current assets:</b>				
Property, plant and equipment	10	413,334	558,402	534,764
Intangible assets	11	127	334	635
<b>Total non-current assets:</b>		<b>413,461</b>	<b>558,736</b>	<b>535,399</b>
<b>Current assets:</b>				
Inventories	14	161	190	199
Trade and other receivables	15	2,593	1,150	965
Cash and cash equivalents	16	934	692	479
<b>Total current assets:</b>		<b>3,688</b>	<b>2,032</b>	<b>1,643</b>
<b>Total assets:</b>		<b>417,149</b>	<b>560,768</b>	<b>537,042</b>
<b>Current liabilities:</b>				
Trade and other payables	17	(6,646)	(5,039)	(4,581)
<b>Total current liabilities</b>		<b>(6,646)</b>	<b>(5,039)</b>	<b>(4,581)</b>
<b>Non-current assets plus net current assets</b>		<b>410,503</b>	<b>555,729</b>	<b>532,461</b>
<b>Non-current liabilities:</b>				
Provisions	18	(111,902)	(79,134)	(79,424)
<b>Total non-current liabilities</b>		<b>(111,902)</b>	<b>(79,134)</b>	<b>(79,424)</b>
<b>Assets less liabilities</b>		<b>298,601</b>	<b>476,595</b>	<b>453,037</b>
<b>Taxpayers' equity:</b>				
General Fund		195,819	232,382	235,729
Revaluation Reserve		102,565	243,996	217,091
Donated Asset Reserve		217	217	217
<b>Total taxpayers' equity</b>		<b>298,601</b>	<b>476,595</b>	<b>453,037</b>

Michael Pownall  
Clerk of the Parliaments and Accounting Officer

16 July 2010

The notes on pages 20 to 40 form part of the accounts

## Statement of Cash Flows

for year ended 31 March 2010

	Note	2009-10 £000	2008-09 £000
<b>Cash flows from operating activities</b>			
Net operating costs		(111,655)	(102,955)
Adjustments for non-cash transactions	8	35,338	28,547
(Increase)/Decrease in trade and other receivables	15	(1,443)	(185)
(Increase)/Decrease in inventories	14	29	9
(Increase)/Decrease in trade payables	17	1,365	245
<i>Less (increase)/decrease in amounts due to the Consolidated Fund</i>		-	-
Use of provisions		452	1,949
<b>Net cash outflow from operating activities</b>		<b>(75,914)</b>	<b>(72,390)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(10,203)	(2,604)
Purchase of intangible assets	11	(110)	(18)
Proceeds from the disposal of property, plant and equipment		-	-
Proceeds from the disposal of intangibles		-	-
<b>Net cash outflow from investing activities</b>		<b>(10,313)</b>	<b>(2,622)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		86,469	75,225
From the Consolidated Fund (Supply) – prior year		-	-
<b>Net financing</b>		<b>86,469</b>	<b>75,225</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>			
		<b>242</b>	<b>213</b>
Receipts due to the Consolidated Fund which are outside the scope of the House of Lords' activities		-	-
Payments of amounts due to the Consolidated Fund		-	-
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>242</b>	<b>213</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>692</b>	<b>479</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>934</b>	<b>692</b>

The notes on pages 20 to 40 form part of the accounts

## Statement of Changes in Taxpayers' Equity

	Note	General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserves
		£000	£000	£000	£000
<b>Balance at 31 March 2008</b>		<b>247,405</b>	<b>232,854</b>	<b>217</b>	<b>480,476</b>
Changes in accounting policy	2	(11,676)	(15,763)	-	(27,439)
Restated balance at 1 April 2008		235,729	217,091	217	453,037
<b>Changes in taxpayers' equity for 2008-09</b>					
Net gain/(loss) on revaluation of property, plant and equipment	10	-	29,144	-	29,144
Net gain/(loss) on pension liabilities due to changes in actuarial assumptions	18	6,516	-	-	6,516
Non-cash charges – cost of capital	8	15,738	-	-	15,738
Non-cash charges – auditor's remuneration	8	103	-	-	103
Transfers between reserves		2,239	(2,239)	-	-
Net operating cost for the year		(102,955)	-	-	(102,955)
<b>Total recognised income and expense for 2008-09</b>		<b>(78,359)</b>	<b>26,905</b>	<b>-</b>	<b>(51,454)</b>
Net Parliamentary Funding – drawn down		75,225	-	-	75,225
Net Parliamentary Funding – deemed		479	-	-	479
Supply payable adjustment		(692)	-	-	(692)
CFERs repayable to the Consolidated Fund		-	-	-	-
<b>Balance at 31 March 2009</b>		<b>232,382</b>	<b>243,996</b>	<b>217</b>	<b>476,595</b>
<b>Changes in taxpayers' equity for 2009-10</b>					
Net gain/(loss) on revaluation of property, plant and equipment	10	-	(141,366)	-	(141,366)
Net gain/(loss) on pension liabilities due to changes in actuarial assumptions	18	(27,521)	-	-	(27,521)
Non-cash charges – cost of capital	8	16,221	-	-	16,221
Non-cash charges – auditor's remuneration	8	100	-	-	100
Transfers between reserves		65	(65)	-	-
Net operating cost for the year		(111,655)	-	-	(111,655)
<b>Total recognised income and expense for 2009-10</b>		<b>(122,790)</b>	<b>(141,431)</b>	<b>-</b>	<b>(264,221)</b>
Net Parliamentary Funding – drawn down		86,469	-	-	86,469
Net Parliamentary Funding – deemed		692	-	-	692
Supply payable adjustment		(934)	-	-	(934)
<b>Balance at 31 March 2010</b>		<b>195,819</b>	<b>102,565</b>	<b>217</b>	<b>298,601</b>

The notes on pages 20 to 40 form part of the accounts

## Statement of Operating Costs by Aim and Core Tasks

for the year ended 31 March 2010

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

	2009-10 £000					2008-09 £000				
	Core task 1	Core task 2	Core task 3	Core task 4	<b>Total</b>	Core task 1	Core task 2	Core task 3	Core task 4	<b>Total</b>
Gross expenditure	31,890	39,913	6,484	39,782	<b>118,069</b>	31,083	38,661	6,145	34,619	<b>110,508</b>
Income	(1,006)	(3,360)	(324)	(1,724)	<b>(6,414)</b>	(1,382)	(3,897)	(461)	(1,813)	<b>(7,553)</b>
<b>Net Expenditure</b>	<b>30,884</b>	<b>36,553</b>	<b>6,160</b>	<b>38,058</b>	<b>111,655</b>	<b>29,701</b>	<b>34,764</b>	<b>5,684</b>	<b>32,806</b>	<b>102,955</b>

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 19

The notes on pages 20 to 40 form part of the accounts

## Notes to the Resource Accounts

### I. Statement of accounting policies

The financial statements have been prepared with reference to the 2009-10 *Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the House of Lords for the purpose of giving a true and fair view has been selected. The particular policies adopted by the House of Lords are described below. The accounting policies have been applied consistently in dealing with items that are considered material to the accounts. Whilst the House of Lords is not obliged to comply with the HM Treasury's *Corporate Governance in Central Government Departments: Code of Good Practice*, it seeks to apply best practice principles wherever possible.

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

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

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

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

Since 1 January 2006 ICT services have been managed by Parliamentary Information and Communication Technology (PICT) service for both Houses. Each House pays for its own ICT hardware with the costs of shared services being split on an 80:20 (Commons:Lords) ratio. Joint ICT development project costs are shared on an agreed project by project basis.

#### 1.1 Accounting convention

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

#### 1.2 Basis of preparation

These accounts comprise 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 Property, Plant and Equipment

The minimum level for the capitalisation for property, plant and equipment, and intangible non current assets is £1,000. Smaller items may be grouped depending on whether such groups have a significant value above the capitalisation threshold.

## Notes to the Resource Accounts - *continued*

### i. Land and Buildings

Land and buildings shown in the accounts are as follows:

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

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

The Parliamentary Estate is subject to a full professional revaluation every 5 years, supplemented by an annual VOA desktop valuation in the interim years (previously indexed in prior years). The Parliamentary Estate was re-valued during 2009-10 by the VOA using a desktop valuation, the valuation date was as at 31 March 2010. The last full revaluation was as at 31 March 2008.

Revalued losses are taken first to the revaluation reserve and then to the Operating Cost Statement for any loss in excess of previous revaluation gains.

### ii. Long Leasehold Buildings

The House of Lords holds a number of properties on long leaseholds. The building element of the property is capitalised, revalued annually and depreciated over the remaining life of the lease.

### iii. Antique Furniture

Each year the Furniture Manager in the Parliamentary Estates Directorate carries out an internal review to assess if any revaluation adjustment is required. During 2009-10 the furniture was valued by H Blairman & Sons who gave an indicative valuation for purposes of insurance which was the value used at 31 March 2010.

### iv. 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.

### v. Other Non Current Assets

Other non current assets have been stated at current cost using appropriate indices where appropriate. For 2009-10 other non current assets were not subject to revaluation as the modified costs were not material.

### vi. Assets Under Construction

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

### vii. Intangible Non Current Assets

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

## *1.4 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 and additions to the Works of Art Collection since 1 April 2000 are included in the Statement of Financial Position. The others are not capitalised as it is not practicable or appropriate to obtain valuations for assets acquired pre 1 April 2000. Additions since 1 April 2000 are valued at cost.

## Notes to the Resource Accounts - *continued*

### i. Works of Art Collection

Parliament has collected Works of Art since 1841, depicting parliamentary institutions and statesmen and stateswomen. The collection originally consisted of works of art commissioned by the Fine Arts Commission, with the purpose of bringing the history of the nation to life on the walls of the interiors of the Houses of Parliament. Many of the works added later were acquired as donations from Members of both Houses. Until 1991 the collection was held jointly by both Houses of Parliament; at that date the works were nominally split between the two Houses on the basis of where works were situated at that date. However, this split did not necessarily reflect actual ownership at the date of acquisition, or the locations for which the works were originally commissioned or intended. The total size of the collection is disclosed in a footnote to note 10. Details of the House of Lords Works of Art Collection Fund are contained in note 27.

### ii. The Parliamentary Archives

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

The Record Office was established in the House of Lords in 1946, became a shared facility with the House of Commons in 1999 and was renamed the Parliamentary Archives in 2006. The Parliamentary Archives publishes an Annual Report which is available via [www.parliament.uk](http://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 is charged to expenditure on the historic value of assets. For buildings and a selection of non current assets, that element of the depreciation which relates to the increase in valuation in prior years is charged to the Revaluation Reserve. This amount is realised by transferring the balance in the Revaluation Reserve to the General Fund over the remaining useful life of the asset. Land assets are not depreciated.

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

The capitalised costs for assets in the course of construction are not depreciated until the assets are brought into use.

Asset lives are usually in the following range:

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

## Notes to the Resource Accounts - *continued*

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

### *1.6 Inventories*

Inventories include goods for resale and other inventories 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 up until July 2009, 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.

### *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 7. The pension scheme is accounted for under the terms of *IAS 19 Retirement Benefits*. The annual accruing cost of providing for future benefits is charged to the Operating Cost Statement and is based upon rates determined by the Government Actuary and advised by HM Treasury. These rates were in the range of 16.7-24.3% of pensionable pay. A provision to meet the liability is included on the Statement of Financial Position. Actuarial gains and losses are recognised as an adjustment to the general fund in the year the gains/losses occur. The HOLSPS contains particular arrangements in respect of employees who retire early on medical or structural grounds. These costs are identified separately in the accounts where appropriate.

### *1.13 Leases*

Operating lease rentals are charged to the Operating Cost Statement over the lease term. The House of Lords holds two properties on 999 year leases and two further leases on leases greater than 100 years. The land element has been treated as an operating lease, whereas the building element has been treated as a finance lease which is capitalised and depreciated over the useful life of the buildings.

## Notes to the Resource Accounts – continued

### 1.14 Grants payable

The House of Lords made the following annual grant payments:

	2009-10	2008-09
	£	£
History of Parliament Trust	581,000	352,000
The Commonwealth Parliamentary Association	584,000	567,300
The Inter-Parliamentary Union	391,000	452,700
The British-Irish Inter-Parliamentary Body	56,000	61,200
The British-American Parliamentary Group	33,000	31,800
	<b>1,645,000</b>	<b>1,465,000</b>

### 1.15 Financial Instruments

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

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

### 1.16 Third-party assets

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

The House of Lords Refreshment Department receives and pays gratuities on behalf of its staff; for 2009-10 the amount paid was £314,112 (2008-09 – £327,000). The balance held at the end of the financial year was £37,890 (2008-09 - £66,889).

### 1.17 Contingent Liabilities

Potential contingent liabilities are reviewed each year and disclosed in a note to the accounts (see note 22). In addition to contingent liabilities disclosed in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets*, the House discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated in the amounts reported to Parliament.

### 1.18 Value Added Tax

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

## Notes to the Resource Accounts – continued

### 2. First Time adoption of IFRS

	General Fund £000	Revaluation Reserve £000	Donated Asset Reserve £000
Taxpayers' equity at 31 March 2008 under UK GAAP	247,405	232,854	217
Adjustments for:			
IAS 17 Operating leases – land	(11,417)	(15,763)	-
IAS 19 Employee benefits	(259)	-	-
Taxpayers' equity at 1 April 2008 under IFRS	235,729	217,091	217

There was no change to the cash of cash equivalent balances

	£000
Net operating cost for 2008-09 under UK GAAP	103,918
Adjustments for:	
Cost of capital elimination from land classification as an operating lease and cost of capital on employee benefit liability	(963)
Net operating costs for 2008-09 under IFRS	102,955

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the adoption of IFRS were not included in the spring Supplementary Estimate for 2009-10 on the basis that the PPA numbers could have been misleading, particularly where the transactions may well have pre-dated the 2001-02 cut off point for reporting PPAs, as only part of an obligation would have been included. PPAs arising from a change in accounting policy related to other than IFRS were included in the Estimate in line with conventional arrangements.

The House of Lords has some leasehold properties. In accordance with IAS 17 the land elements have been treated as operating leases and have not been capitalised. The International Accounting Standards Board's *Improvement to IFRSs* has amended IAS 17 for periods starting on or after 1 January 2010. The relevant property leases will be reviewed for the 2010-11 Resource Accounts and some or all of the land elements may be re-capitalised.

### 3. Analysis of net resource outturn by section

							2009-10 £000	2008-09 £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			
<b>Request for resources 1: Members' expenses and administration, etc.</b>									
Administration	-	67,119	1,645	68,764	(5,204)	<b>63,560</b>	66,803	(3,243)	<b>61,825</b>
Works Services	-	39,183	-	39,183	(1,210)	<b>37,973</b>	41,830	(3,857)	<b>39,623</b>
Administration (AME)	-	10,122	-	10,122	-	<b>10,122</b>	9,712	410	<b>1,507</b>
<b>Total</b>	-	<b>116,424</b>	<b>1,645</b>	<b>118,069</b>	<b>(6,414)</b>	<b>111,655</b>	<b>118,345</b>	<b>(6,690)</b>	<b>102,955</b>

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

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

			2009-10 £000	2008-09 £000	
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	3	111,655	118,345	(6,690)	102,955
Non-supply income (CFERs)	6	-	-	-	-
<b>Net operating cost</b>		<b>111,655</b>	<b>118,345</b>	<b>(6,690)</b>	<b>102,955</b>

**5. Reconciliation of net resource outturn to net cash requirement**

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/(excess) £000
Resource Outturn	3	118,345	111,655	6,690
Capital				
Acquisition of property, plant and equipment	10, 11	15,309	10,313	4,996
Accruals adjustments				
Non-cash items	8	(42,977)	(35,338)	(7,639)
Changes in working capital other than cash		4,266	49	4,217
Use of provision		3,125	(452)	3,577
<b>Net cash requirement</b>		<b>98,068</b>	<b>86,227</b>	<b>11,841</b>

**6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund**

	Note	2009-10 £000	2008-09 £000
Operating Income	9	6,414	7,553
Income authorised to be appropriated-in-aid		(6,414)	(7,553)
<b>Operating income payable to the Consolidated Fund</b>		<b>-</b>	<b>-</b>

**Notes to the Resource Accounts – continued****7. Staff numbers and related costs**

Staff costs comprise:

	<b>2009-10</b>	<b>2008-09</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	17,008	16,852
Social security costs	1,317	1,308
Other pension costs	3,882	5,101
<b>Sub Total</b>	<b>22,207</b>	<b>23,261</b>
Less recoveries in respect of outward secondments	(324)	(294)
<b>Total net costs</b>	<b>21,883</b>	<b>22,967</b>

The House of Lords Staff Pension Scheme (HOLSPS) is an unfunded defined benefit scheme which is operated 'by analogy' with the Principal Civil Service Pension Scheme. The House of Lords meets the costs of all benefits. A provision to meet the liability is included on the Statement of Financial Position. The Government Actuary's Department has devised a model to assist organisations with small 'by analogy' to the PCSPS schemes to value their liabilities. The amount in the financial statements has been calculated using this valuation method. The date of valuation is 31 March 2010.

For 2009-10, employers' contributions of £2,623,779 (2008-09 - £2,624,539) were accrued at rates in the range 16.7-24.3% (2008-09 - 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 1 October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £21,481 (2008-09 - £31,979) were paid to one or more of a panel of appointed stakeholder pension providers. Employer contributions are age-related and range from 3-12.5% (2008-09 - 3-12.5%) of pensionable pay. Contributions due to the partnership pension providers at the Statement of Financial Position date were £nil (2008-09 - £181). Contributions prepaid at that date were nil (2008-09 - 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:

	<b>2009-10</b>	<b>2008-09</b>
House of Lords Administration	454	450

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****8. Expenditure**

	Note	2009-10 £000	2008-09 £000
Rentals under operating leases		2,283	2,183
Non-cash items			
Depreciation	10	6,306	7,995
Amortisation	11	317	319
Loss on disposal of property, plant and equipment		78	5
Loss on revaluation of property, plant and equipment		7,521	110
Cost of Capital Charges		16,221	15,738
Auditor's remuneration and expenses		100	103
Interest cost on provisions	18	4,795	4,277
<i>Total non-cash items</i>		<i>35,338</i>	<i>28,547</i>
Members' Expenses		17,237	18,988
Security		10,123	9,774
Estates & Works expenditure		13,978	12,877
Printing and publications		4,035	4,040
IT costs		3,987	2,768
Other expenditure		9,205	8,364
<b>Total</b>		<b>96,186</b>	<b>87,541</b>

The auditor's remuneration is made up of £90,000 for the 2009-10 Resource Account audit (2008-09 - £95,000), plus £10,000 for review work in relation to the preparation of transferring the Resource Accounts to International Accounting Standards (2008-09 - £8,000).

Other expenditure includes grants, as detailed in note 1.14 of £1,645,000 (2008-09 £1,465,000).

Further information on Members' Expenses is available at [www.parliament.uk](http://www.parliament.uk)

**9. Income**

	2009-10 £000	2008-09 £000
Refreshment Department sales	4,185	4,107
Pension contributions and transfers in	777	1,680
Judicial fees and taxation	175	516
Fees, charges and rental income	1,277	1,250
	<b>6,414</b>	<b>7,553</b>

The amount applied as appropriations in aid totalled £6,413,645.

## Notes to the Resource Accounts – continued

## 10. Property, plant and equipment

	Land & Buildings excluding dwellings	Dwellings	Fixtures & Fittings	Information Technology	Plant & Machinery	Heritage Assets	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
At 1 April 2009	1,009,903	1,700	1,556	7,568	1,734	9,681	997	1,033,139
Additions	5,827	-	744	959	-	43	2,630	10,203
Disposals	-	-	(35)	(365)	-	-	-	(400)
Reclassifications	(25,435)	-	-	-	-	-	25,435	-
Revaluations	(286,404)	(199)	4	-	-	4,506	-	(282,093)
<b>At 31 March 2010</b>	<b>703,891</b>	<b>1,501</b>	<b>2,269</b>	<b>8,162</b>	<b>1,734</b>	<b>14,230</b>	<b>29,062</b>	<b>760,849</b>
<b>Depreciation</b>								
At 1 April 2009	468,557	120	926	5,038	96	-	-	474,737
Charged in year	4,968	79	212	959	88	-	-	6,306
Disposals	-	-	(35)	(287)	-	-	-	(322)
Reclassifications	(3,443)	-	-	-	-	-	3,443	-
Revaluations	(133,086)	(120)	-	-	-	-	-	(133,206)
<b>At 31 March 2010</b>	<b>336,996</b>	<b>79</b>	<b>1,103</b>	<b>5,710</b>	<b>184</b>	<b>-</b>	<b>3,443</b>	<b>347,515</b>
<b>Net book value at 31 March 2010</b>	<b>366,895</b>	<b>1,422</b>	<b>1,166</b>	<b>2,452</b>	<b>1,550</b>	<b>14,230</b>	<b>25,619</b>	<b>413,334</b>
Net book value at 31 March 2009	541,346	1,580	630	2,530	1,638	9,681	997	558,402

## Analysis of Land and Buildings

	Land		Buildings		Total
	Freehold	Freehold	Long Leasehold	Improvements	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 April 2009	69,049	898,185	42,669	-	1,009,903
Additions	-	3,354	-	2,473	5,827
Disposals	-	-	-	-	-
Reclassifications	-	-	(25,972)	537	(25,435)
Revaluations	(28,474)	(253,466)	(4,464)	-	(286,404)
<b>At 31 March 2010</b>	<b>40,575</b>	<b>648,073</b>	<b>12,233</b>	<b>3,010</b>	<b>703,891</b>
<b>Depreciation</b>					
At 1 April 2009	-	464,259	4,298	-	468,557
Charged in year	-	3,800	959	209	4,968
Disposals	-	-	-	-	-
Reclassifications	-	-	(3,443)	-	(3,443)
Revaluations	-	(131,888)	(1,198)	-	(133,086)
<b>At 31 March 2010</b>	<b>-</b>	<b>336,171</b>	<b>616</b>	<b>209</b>	<b>336,996</b>
<b>Net book value at 31 March 2010</b>	<b>40,575</b>	<b>311,902</b>	<b>11,617</b>	<b>2,801</b>	<b>366,895</b>
Net book value at 31 March 2009	69,049	433,926	38,371	-	541,346

## Notes to the Resource Accounts – continued

	Land & Buildings excluding dwellings	Dwellings	Fixtures & Fittings	Information Technology	Plant & Machinery	Heritage Assets	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
At 1 April 2008	950,781	1,689	1,477	7,539	1,734	9,656	58	972,934
Additions	812	-	79	691	-	25	997	2,604
Disposals	-	-	-	(720)	-	-	-	(720)
Reclassifications	-	-	-	58	-	-	(58)	-
Revaluations	58,310	11	-	-	-	-	-	58,321
<b>At 31 March 2009</b>	<b>1,009,903</b>	<b>1,700</b>	<b>1,556</b>	<b>7,568</b>	<b>1,734</b>	<b>9,681</b>	<b>997</b>	<b>1,033,139</b>
<b>Depreciation</b>								
At 1 April 2008	432,502	39	796	4,826	7	-	-	438,170
Charged in year	6,775	79	130	922	89	-	-	7,995
Disposals	-	-	-	(715)	-	-	-	(715)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	29,280	2	-	5	-	-	-	29,287
<b>At 31 March 2009</b>	<b>468,557</b>	<b>120</b>	<b>926</b>	<b>5,038</b>	<b>96</b>	<b>-</b>	<b>-</b>	<b>474,737</b>
<b>Net book value at 31 March 2009</b>	<b>541,346</b>	<b>1,580</b>	<b>630</b>	<b>2,530</b>	<b>1,638</b>	<b>9,681</b>	<b>997</b>	<b>558,402</b>
Net book value at 31 March 2008	518,279	1,650	681	2,713	1,727	9,656	58	534,764

## Analysis of Land and Buildings

	Land		Buildings		Total
	Freehold	Freehold	Long Leasehold		
	£000	£000	£000	£000	
<b>Cost or valuation</b>					
At 1 April 2008	65,320	843,051	42,410		950,781
Additions	-	812	-		812
Disposals	-	-	-		-
Reclassifications	-	-	-		-
Revaluations	3,729	54,322	259		58,310
<b>At 31 March 2009</b>	<b>69,049</b>	<b>898,185</b>	<b>42,669</b>		<b>1,009,903</b>
<b>Depreciation</b>					
At 1 April 2008	-	429,891	2,611		432,502
Charged in year	-	5,148	1,627		6,775
Disposals	-	-	-		-
Reclassifications	-	-	-		-
Revaluations	-	29,220	60		29,280
<b>At 31 March 2009</b>	<b>-</b>	<b>464,259</b>	<b>4,298</b>		<b>468,557</b>
<b>Net book value at 31 March 2009</b>	<b>69,049</b>	<b>433,926</b>	<b>38,371</b>		<b>541,346</b>
Net book value at 31 March 2008	65,320	413,160	39,799		518,279

## Notes to the Resource Accounts – continued

### Land and buildings

The Parliamentary Estate was re-valued during 2009-10 by the Valuation Office Agency on the basis of Depreciated Replacement Cost for the Palace of Westminster and Existing Use for the remainder of the Parliamentary Estate.

The valuation date was 31 March 2010. The total value of the Palace as at 31 March 2010 was £864,543,727 (House of Lords share £345,817,490).

### Assets Under Construction

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

The assets under construction did not form part of the VOA's valuation of the Parliamentary Estate as at 31 March 2010. The renovated building (formally 1 and 2 Millbank) will be revalued by the VAO once the building is back in occupational use.

Assets under construction additions have been capitalised at cost.

### 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 31 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 1 April 2000 are not included on the statement of financial position. The collection held by Parliament, either solely or jointly with the House of Commons, prior to 1 April 2000 can be classified as;

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

Additions purchased since 1 April 2000 are capitalised and included in Heritage Assets. The value of Works of Art as at 31 March 2010 was £462,263 (2008-09 - £403,492). Details of the Works of Art Collection Fund are in note 27.

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

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

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

**Notes to the Resource Accounts – continued**

	<b>Information Technology</b>	<b>Software licences</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>			
At 1 April 2008	14	2,213	2,227
Additions	-	18	18
Reclassifications	-	-	-
Disposals	-	-	-
Revaluation	-	-	-
<b>At 31 March 2009</b>	<b>14</b>	<b>2,231</b>	<b>2,245</b>
<b>Amortisation</b>			
At 1 April 2008	14	1,578	1,592
Charged in year	-	319	319
Disposals	-	-	-
Revaluation	-	-	-
<b>At 31 March 2009</b>	<b>14</b>	<b>1,897</b>	<b>1,911</b>
<b>Net book value at 31 March 2009</b>	<b>-</b>	<b>334</b>	<b>334</b>
Net book value at 1 April 2008	-	635	635

**12. Financial Instruments**

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

*Liquidity Risk*

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

*Interest rate risk*

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

*Foreign currency risk*

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

*Fair Value*

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

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

	<b>31 March 2010</b>		<b>31 March 2009</b>	
	Loans and receivables £000	Other financial liabilities £000	Loans and receivables £000	Other financial liabilities £000
<b>Assets</b>				
Trade and other receivables	1,951	-	921	-
Cash and cash equivalents	934	-	692	-
<b>Liabilities</b>				
Trade and other payables		5,712	-	4,347

**13. Revaluation of the Estate**

The revaluation exercise carried out of the property, plant and equipment during the year resulted in:

£141,366,091 of the revaluation loss has been charged to the revaluation reserve (2008-09 £nil), the remaining loss of £7,521,114 was charged to the operating cost statement (2008-009 £110,000).

**14. Inventories**

	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>	<b>1 April 2008 £000</b>
Inventories	161	190	199
	<b>161</b>	<b>190</b>	<b>199</b>

**15. Trade receivables and other current assets**

	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>	<b>1 April 2008 £000</b>
<b>Amounts falling due within one year:</b>			
Trade receivables	1,602	787	581
Deposits and advances	349	134	75
Prepayments and accrued income	642	229	309
	<b>2,593</b>	<b>1,150</b>	<b>965</b>
<b>Amounts falling due after more than one year</b>			
Other receivables, deposits and accrued income	-	-	-
	<b>2,593</b>	<b>1,150</b>	<b>965</b>

**Notes to the Resource Accounts – continued****16. Cash and cash equivalents**

	<b>£000</b>
Balance at 1 April 2008	479
Net change in cash and cash equivalent balances	213
Balance at 31 March 2009	692
Net change in cash and cash equivalent balances	242
<b>Balance at 31 March 2010</b>	<b>934</b>

	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>	<b>1 April 2008 £000</b>
The following balances at 31 March were held at:			
Government Banking Service (prior years: Office of HM Paymaster General)	654	177	93
Commercial banks and cash in hand	280	515	386
<b>Balance at 31 March</b>	<b>934</b>	<b>692</b>	<b>479</b>

**17. Trade and other payables**

	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>	<b>1 April 2008 £000</b>
<b>Amounts falling due within one year</b>			
Trade payables	1,646	863	645
Other payables	1,964	1,833	1,665
VAT	61	64	47
Accruals and deferred income	2,041	1,587	1,745
Amounts issued from the Consolidated Fund for supply but not spent at year end	934	692	479
Consolidated Fund extra receipts due to be paid to the Consolidated Fund – Received	-	-	-
	<b>6,646</b>	<b>5,039</b>	<b>4,581</b>
<b>Amounts falling due after more than one year</b>			
Other payables, accruals and deferred income	-	-	-
	<b>6,646</b>	<b>5,039</b>	<b>4,581</b>

**Notes to the Resource Accounts – continued****18. 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 2010 by the Government Actuary’s Department in accordance with the Financial Reporting Manual (FreM). The major assumptions used by the Actuary were:

	2009-10	2008-09	2007-08	2006-07	2005-06
	£000	£000	£000	£000	£000
<b>Present value of the scheme liabilities</b>					
Liabilities in respect of:					
Active members	60,714	39,288	40,534	43,627	30,300
Deferred Pensioners	10,341	6,353	6,345	7,018	5,435
Current Pensioners	40,847	33,493	32,545	27,890	23,935
Total present value of the scheme liabilities	111,902	79,134	79,424	78,535	59,670

	31 March 2010	31 March 2009
	%	%
<b>Financial assumptions</b>		
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	4.60	6.04

*Analysis of movement in scheme liability*

	2009-10	2008-09
	£000	£000
Value of liabilities at 1 April	79,134	79,424
Current service cost	2,830	3,059
Employee contributions	500	458
Interest on scheme liability	4,795	4,277
Curtailments	(52)	-
Pension transfers in	231	1,175
Benefits payable	(2,630)	(2,561)
Pension payments to and on account of leavers	(427)	(182)
Actuarial (gain)/loss	27,521	(6,516)
<b>Balance at 31 March</b>	<b>111,902</b>	<b>79,134</b>

*Analysis of actuarial (gain)/loss*

	2009-10	2008-09
	£000	£000
Experience (gains)/losses arising on scheme liabilities	16	787
Changes in assumptions underlying the present value of the scheme liabilities	27,505	(7,303)
	<b>27,521</b>	<b>(6,516)</b>
Cumulative total actuarial loss/(gain)	<b>42,036</b>	<b>14,515</b>

*Expenses recognised in the Operating Cost Statement*

	2009-10	2008-09
	£000	£000
Current services costs*	2,830	3,059
Interest costs (note 8)	4,795	4,277
Curtailments*	(52)	-
	<b>7,573</b>	<b>7,336</b>

\* Included within “other pension costs” within note 7.

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

	2009-10	2008-09	2007-08	2006-07	2005-06
	£000	£000	£000	£000	£000
Experience (gains)/losses on liabilities					
Amount	16	787	1,062	104	(69)
Percentage of the present value of the scheme liabilities	0.0%	1.0%	1.3%	0.1%	(0.1)%

*Estimate of contributions expected to be paid into the scheme over the year 1 April 2010 to 31 March 2011*

Employer contributions	3,087
Employee contributions	517
	3,604

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

The House of Lords capital is employed exclusively to enable the House of Lords to meet its core objectives.

**20. Capital commitments**

	31 March 2010	31 March 2009	1 April 2008
	£000	£000	£000
Contracted capital commitments at 31 March not otherwise included in these financial statements:			
Property, plant and equipment	127	2,411	2,852

**21. Commitments under leases***Operating leases*

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

	31 March 2010	31 March 2009	1 April 2008
	£000	£000	£000
<b>Obligations under operating leases comprise:</b>			
Land:			
No later than one year	12	12	12
Later than one year and not later than five years	46	46	46
Later than five years	219	230	242
	277	288	300
Buildings:			
No later than one year	2,087	2,247	628
Later than one year and not later than five years	8,327	8,334	1,977
Later than five years	16,404	18,484	5,993
	26,818	29,065	8,598

**Notes to the Resource Accounts - continued**

Other:

No later than one year	46	12	4
Later than one year and not later than five years	263	28	47
Later than five years	-	-	-
	<u>309</u>	<u>40</u>	<u>51</u>

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

**22. Contingent liabilities disclosed under IAS 37**

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

	At 1 April 2009	Increase in year	Liabilities crystallised in year	Obligation expired in year	At 31 March 2010
	£000	£000	£000	£000	£000
Works of Art on loan from various collections	2,221	1,000	-	621	2,600

**23. Losses and Special Payments**

There were no exceptional kinds of expenditure such as losses and special payments that require separate disclosure because of their nature or amount (2008-09 – nil).

**24. Related-party transactions**

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

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

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

The House of Commons incurred expenditure of £34,811,000 (2008-09 - £23,778,000) on behalf of the House of Lords during 2009-10. The balance relating to accommodation, works and other shared services owed by the House of Lords to the House of Commons was £547,000 (2008-09 £722,000). The House of Lords incurred expenditure of £501,000 (2008-09 - £421,000) on behalf of the House of Commons during 2009-10. The balance owed to the House of Lords by the House of Commons was £35,000 (2008-09 - £15,000).

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

## Notes to the Resource Accounts - *continued*

### 25. The House of Lords Security Fund Account

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

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

	2009-10	2008-09
	£000	£000
Opening balance of Fund at 1 <sup>st</sup> April	1,249	1,652
Add: receipts – Lodgements by Appellants	175	535
Less: repayments to Appellants/Respondents	(749)	(938)
Less: amounts paid over to UK Supreme Court	(675)	-
<b>Closing balance of Fund at 31<sup>st</sup> March</b>	<b>-</b>	<b>1,249</b>

### 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 56.8% of sales in 2009-10 (2008-09 – 54.3%).

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

Total trading sales for 2009-10 amounted to £4,171,157 (2008-09 - £4,090,839). Gross profit on sales calculated according to the formula above was 80.3% (2008-09 73.6%) and gross profit on all sales was £2,562,971 (2008-09 - £2,418,607).

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

## Notes to the Resource Accounts - continued

### 27. The House of Lords Works of Art Collection Fund

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

	<u>2009-10</u>	<u>2008-09</u>
	£000	£000
Opening balance of Fund at 1 April	97	83
Add receipts:		
Grant from RfR	50	50
	<u>147</u>	<u>133</u>
Less: Purchases during the year (see below)	<u>84</u>	<u>36</u>
Closing Balance of Fund as at 31 March	<u>63</u>	<u>97</u>

Purchases during the year (which are included within additions in property, plant and equipment, note 10):

Description	£
View of Black Rod's Garden <i>Pen, ink and wash drawing by Charles Brooker, 1971</i>	215
Ancient...ceremony...proceeding towards Christmas <i>Watercolour drawing by Ronald Searle</i>	1,056
The Palace of Westminster, circa 1857 <i>Oil on canvas by Henry Pether</i>	35,000
Group Portrait Commission of the Law Lords <i>Oil on canvas by Sergei Pavlenko</i>	45,000
Sir John Soane's Royal Gallery <i>Watercolour by Joseph Michael Gandy</i>	2,500
<b>Total</b>	<b>83,771</b>

### 28. Events after the reporting period

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

#### *Non-adjusting events after the reporting period*

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension scheme that the House of Lords provides to employees. In the Accounting Officer's opinion there have been no other events since 31 March 2010 that would affect the financial statements.

## Remuneration Report 2009-10

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 2009-10 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 (*retired 8 May 2009*)
- Lieutenant-General Sir Freddie Viggers KCB CMG MBE - Gentleman Usher of the Black Rod and Serjeant-at-Arms (*from 30 April 2009*)
- Philippa Tudor - Finance Director
- Simon Burton - Director of Human Resources
- Elizabeth Hallam Smith - Director of Information Services and Librarian
- Carl Woodall – Director of Facilities
- Joan Miller – Director of Parliamentary Information Communications and Technology

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

### Remuneration policy

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

## Remuneration Report 2009-10 - continued

### Salary and pension entitlements

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

	2009-10		2008-09	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Michael Pownall <i>Clerk of the Parliaments</i>	170-175	-	165-170	-
David Beamish <i>Clerk Assistant</i>	120-125	-	110-115	-
Rhodri Walters <i>Reading Clerk</i>	110-115	-	110-115	-
Lieutenant-General Sir Michael Willcocks, KCB <i>Gentleman Usher of the Black Rod (retired 8<sup>th</sup> May 2009)</i>	15-20 (95-100 full year equivalent)	see below	95-100	see below
Lieutenant-General Sir Freddie Viggers KCB CMG MBE <i>Gentleman Usher of the Black Rod (from 30 April 2009)</i>	75-80 (80-85 full year equivalent)	see below	n/a	n/a
Simon Burton <i>Director of Human Resources</i>	75-80	-	80-85	-
Philippa Tudor <i>Finance Director</i>	95-100	-	95-100	-
Elizabeth Hallam Smith <i>Director of Information Services and Librarian</i>	105-110	-	110-115	-
Carl Woodall <i>Director of Facilities (from 18 March 2009)</i>	90-95	-	0-5 (90-95 full year equivalent)	-
Joan Miller <i>Director of Information Communications and Technology</i>	100-105	-	105-110	-

*Figures audited by the National Audit Office*

#### a. Salary

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

#### b. Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as taxable emolument. Black Rod occupies a Parliamentary Residence and for 2009-10 the taxable benefit for the residence was £1,001 (2008-09 - £5,054) for Michael Willcocks and £4,030 (2008-09 £nil) for Freddie Viggers.

#### c. Director of Parliamentary Information Communications and Technology

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

## Remuneration Report 2009-10 - continued

### Pensions

The pension benefits of the Management Board were as follows:

	Accrued pension and related lump sum at 31/3/10 £000	Real increase in pension and related lump sum at 31/3/10 £000	CETV at 31/3/10 £000	CETV at 31/3/09 £000	Real increase in CETV £000
Michael Pownall <i>Clerk of the Parliaments</i>	80-85 <i>Plus lump sum of 245-250</i>	2.5-5 <i>Plus lump sum of 10-12.5</i>	2,021	1,881	80
David Beamish <i>Clerk Assistant</i>	50-55 <i>Plus lump sum of 150-155</i>	2.5-5 <i>Plus lump sum of 7.5-10</i>	1,150	1,036	58
Lieutenant-General Sir Michael Willcocks, KCB <i>Gentleman Usher of the Black Rod (retired 8<sup>th</sup> May 2009)</i>	5-10 <i>Plus lump sum of 2.5-30</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	195	190	2
Lieutenant-General Sir Freddie Viggers KCB CMG MBE <i>Gentleman Usher of the Black Rod (from 30 April 2009)</i>	0-5 <i>Plus lump sum of 0-5</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	24	-	21
Rhodri Walters <i>Reading Clerk</i>	50-55 <i>Plus lump sum of 155-160</i>	2.5-5 <i>Plus lump sum of 7.5-10</i>	1,249	1,140	63
Philippa Tudor <i>Finance Director</i>	30-35 <i>Plus lump sum of 90-95</i>	0-2.5 <i>Plus lump sum of 5-7.5</i>	591	522	34
Elizabeth Hallam Smith <i>Director of Information Services and Librarian</i>	35-40 <i>Plus lump sum of 115-120</i>	0-2.5 <i>Plus lump sum of 5-7.5</i>	930	834	51
Simon Burton <i>Director of Human Resources</i>	30-35 <i>Plus lump sum of 95-100</i>	0-2.5 <i>Plus lump sum of 5-7.5</i>	501	446	26
Carl Woodall <i>Director of Facilities (from 18 March 2009)</i>	0-5 <i>Plus lump sum of 0-5</i>	2.5-5 <i>Plus lump sum of 0-2.5</i>	-	33	26
Joan Miller <i>Director of Information Communications and Technology</i>	7.5-10 <i>Plus lump sum of 0-5</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	161	117	2

Figures audited by the National Audit Office

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum.

## Remuneration Report 2009-10 - continued

**Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

### *Cash Equivalent Transfer Values*

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

### *Real increase in CETV*

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

*Michael Pownall*

Clerk of the Parliaments and Accounting Officer

16 July 2010