



HOUSE OF LORDS

Resource Accounts 2011/12

(For the year ended 31st March 2012)

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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 2012. The Resource Accounts contain the financial statements relating to the House of Lords' Estimate, which includes expenses and allowances paid to Members of the House of Lords. The estimate also includes administrative and accommodation costs, such as security, catering, estates and works services expenditure. Information is also included, by way of notes, on the House of Lords Works of Art Collection Fund and the House of Lords Catering and Retail Services 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 functions effectively.

The objectives of the House of Lords Administration are:

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

Principal Activities

The House of Lords is the second Chamber of the United Kingdom Parliament and as such is one of the busiest parliamentary chambers in the world. As a constituent part of Parliament, the House of Lords makes laws, holds government to account, and debates issues of public interest. It plays an important part in revising legislation and scrutinising Government policy.

Management Commentary

a. Significant events during the year

Reform of the House of Lords

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

Working practices of the House

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

Since then various recommendations have been implemented. The most significant in resource terms concerns the Select Committees; these will be implemented in 2012-13.

Works and Accommodation

The refurbishment of the Millbank Island site, now renamed Millbank House, was completed in the autumn of 2011 with Members and staff occupying the building from September 2011. The Millbank House project was a significant part of the House of Lords accommodation strategy, enabling more Members to have suitable, modern office facilities. The project also enabled a review of where Administration staff could be best accommodated to enable them to support Members in their Parliamentary duties, with Millbank House including the Committee Office, the Information Office, modern library and information facilities and additional meeting rooms for Members and the Administration.

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

Reform of the House of Lords

The draft bill was examined by a Joint Committee, which reported on 23 April 2012. The Queen's Speech on 9 May 2012 said "A Bill will be brought forward to reform the composition of the House of Lords". The House of Lords Reform Bill was introduced in the House of Commons on 27 June 2012.

c. House of Lords Annual Report and Business Plan

Further details on the activities of the House of Lords in 2011-12 are contained in the *Annual Report 2011/12*. Additionally, the *House of Lords Business Plan 2012/13* (HL Paper 267) was published in March 2012. It included the Administration's Strategic Plan for 2011-15 and the business and spending plans for 2012/13 onwards. The Annual Report and the Business Plan are published on behalf of the House of Lords by The Stationery Office and are available from bookshops and via the Parliamentary website.

d. Operating and Financial Review

The 2011-12 Resource Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and the accounting policies set out in Note 1.

Savings

The House of Lords Administration is delivering the Savings Strategy agreed by the House Committee in 2010, with the following target: "We will aim not to increase our resource costs in real terms throughout the period of the plan, despite the increased size of the House, and will reduce them where possible by reviewing what we do and how we do it."

The baseline was set in 2010-11 at £102m, so the target for 2011-12 was £105m. Disregarding exceptional and technical accounting adjustments, the Administration met its target in both years.

Table 1 - Resource costs compared to target

	2011-12 Outturn £m	2010-11 Outturn £m
Net operating costs	108.8	77.4
Exceptional items and technical accounting adjustments		
Pension credit	-	10.9
Property revaluation (loss)/gain	(14.0)	1.9
Underlying Resource expenditure before exceptional items and technical accounting adjustments	94.8	90.2
Resource target	105.0	102.0
Real terms inflation (CPI)		3.1%

The 2011-12 annual valuation of the Parliamentary Estate resulted in a net loss on revaluation of property, plant and equipment of £14.0m. A combination of a gain on the valuation of freehold land totalling £2.5m netting against the £16.5m loss on revaluation of Millbank House has been charged through net operating costs.

The resource outturn in 2010-11 included two significant accounting adjustments which resulted in a credit of £12.8m:

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

Comparison of the 2011-12 outturn with the 2011-12 Estimate

The House of Lords is funded by Supply Estimates, the means by which public expenditure is authorised by Parliament. The elements of Estimates are resource and capital Departmental Expenditure Limits (DEL) and Annually Managed Expenditure. For the House of Lords in 2011-12 Parliament voted limits on:

- the net DEL requirement,
- the net resource AME requirement,
- the net capital DEL requirement,
- the net cash requirement for the Estimate as a whole.

The House of Lords Administration's outturn on net total resources (DEL and AME) for 2011-12 was £108.8m, recognising a £9.1m underspend against the Estimate, including Supplementary Estimate, of £117.9m.

<i>Table 2 – Estimate against outturn</i>	2011-12 Estimate £m	2011-12 Outturn £m	Variance £m	Variance %
Resource DEL	91.8	89.6	2.2	2.4
Resource AME	26.1	19.2	6.9	26.4
Net resource requirement	117.9	108.8	9.1	7.7
Capital DEL expenditure	18.3	12.9	5.4	29.5
Net cash requirement	102.6	97.8	4.8	4.7

The savings against the Estimate are mainly due to the following:

- Resource DEL
 - Efficiency savings in relation to centrally held funds contributed to savings of £0.6m.
 - Spend on IT related projects and Parliamentary ICT (PICT) services was underspent by £0.5m primarily through project budgets not being required and savings recognised in PICT expenditure.
 - Estates current expenditure achieved a saving of £0.4m.
 - Lower than anticipated operational spend in other areas of the Administration led to a net saving of £0.6m.
- Resource AME
 - The write down of Millbank House was less than budgeted mainly due to secondary works on the property being delayed until 2012-13.
- Capital expenditure
 - £4.9m of the £5.4m capital underspend was due to delays and re-prioritisations of Estates projects. Millbank House capital additions worth £1.9m have been delayed as noted above, and maintenance spend of £1.5m on the Palace of Westminster has been postponed until 2012-13 along with a railings project £0.6m. The remaining underspends are related to smaller Estates projects and general administration related underspends.

Cash

A net cash requirement of £97.8m was achieved against the Estimate limit of £102.6m. The underspend of £4.8m includes the capital underspend of £5.4m and the cash equivalent resource underspend of £3.3m offset against movements in working capital at the year end of £3.9m.

Net Assets

Net assets employed by the House of Lords increased by £6.2m to £331.4m. The valuation of the Estate increased by £6.3m after revaluations and depreciation, largely contributing to the total non-current asset increase of £6.9m. Movements in working capital also contributed to an increase in total assets less current liabilities by £3.8m. The increase in provisions, primarily pensions related, reduced the net assets worth by £4.5m.

e. Management

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

Three Members – the Lord Speaker, the Chairman of Committees and the Principal Deputy Chairman of Committees – are eligible for a salary paid from House of Lords' funds. As at 31 March 2012 the annual salaries were as follows:

Lord Speaker	£101,038
Chairman of Committees (including £2,042 London Supplement)	£86,566
Principal Deputy Chairman of Committees (including £2,042 London Supplement)	£81,118

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

Details of the remuneration of the Management Board of the House of Lords are contained in the Remuneration Report (see page 48).

f. Pensions

Present and past employees of the House of Lords are covered by the provisions of the House of Lords Staff Pension Scheme (HOLSPS). The scheme is an unfunded defined benefit scheme which is operated 'by analogy' with the Principal Civil Service Pension Scheme. The Statement of Financial Position includes a provision against which future pension benefits will be charged when paid. The annual accruing cost of benefits is charged to the Statement of Comprehensive Net Expenditure (see notes 1.10 and 17.1).

Public Interest and Other

Equal Opportunities, Diversity and Disability

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

Payments to Suppliers

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

The calculation of payment performance for 2011-12 has been based on continuous monitoring of payments throughout the year and 97.0% (2010-11 97.8%) of payments made by the House of Lords met the policy criteria.

Staff Issues

As Clerk of the Parliaments, I attach importance to effective consultation and involvement of staff. Certain trade union organisations have been recognised by the House of Lords for the purposes of negotiating terms and conditions of service, and are represented on the House of Lords Whitley Committee. Additionally, staff involvement is encouraged as part of the day to day process of line management and the annual business planning process.

Auditor

The Comptroller and Auditor General is the external auditor for the House of Lords. The notional audit fee for 2011-12 was £85,000 (2010-11 – £85,000). No further assurance or advisory services were provided by the auditors.

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

David Beamish

Clerk of the Parliaments and Accounting Officer

11 July 2012

Statement of Accounting Officer's Responsibilities

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

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the House of Lords, its comprehensive net expenditure, changes in taxpayers' equity, and cash flows for the financial year.

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

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

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

Governance Statement

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

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

This governance statement relates to the financial year from 1 April 2011. I succeeded Sir Michael Pownall as Accounting Officer on 16 April 2011.

Corporate governance framework in the House of Lords

House Committee

The House Committee sets the policy framework for the Administration of the House and provides non-executive guidance to the Management Board. It approves the House's strategic, business and financial plans, the annual estimates and supplementary estimates and supervises the arrangements relating to financial support for Members. All 12 members of the Committee are members of the House, representing the three main political parties and the Crossbench members. The Committee is chaired by the Lord Speaker (Baroness D'Souza since September 2011 and previously Baroness Hayman). The Chairman of Committees (Lord Brabazon of Tara throughout 2011/12) is a member of the Committee and answers parliamentary questions on matters relating to the internal administration of the House.

The House Committee agrees the Annual Report for the House following its approval by the Management Board. The Annual Report focuses primarily on strategic developments for the Administration of the House and includes an assessment, by strategic objective, of the fulfilment of tasks prescribed in the previous year's Business Plan. The most recent Annual Report¹ was published in July 2011 and assesses the achievements of the objectives in the 2010/11 Business Plan. The Business Plan for 2011/12 was published in April 2011² and the Annual Report for 2011/12 will be published in July 2012.

The main strategic developments in the 2010/11 Annual Report related to:

- Accommodation and works, including the adoption of an Accommodation Strategy for 2010–20;
- The introduction of over one hundred new Members;
- The coming into effect of a revised Code of Conduct and scheme for Registration of Members' Interests;
- The agreement and implementation of a new system of financial support for Members based on a daily allowance payable in respect of attendance at the House, or its committees; and

¹ Available at: <http://www.publications.parliament.uk/pa/ld201011/ldb/187/187.pdf>

² Available at: <http://www.publications.parliament.uk/pa/ld201011/ldb/132/132.pdf>

- Savings initiatives implemented to meet the savings target for the Administration agreed by the House Committee: *“We will aim not to increase our resource costs in real terms throughout the period of the plan, despite the increased size of the House, and will reduce them where possible by reviewing what we do and how we do it.”*

The House Committee met 7 times in 2011/12. Further details of the work of the House Committee, including minutes, agendas and attendance, are published on the Parliamentary website.³

Audit Committee

The Audit Committee is appointed by the House Committee. Its membership includes five members of the House (one of whom, Lord MacGregor of Pulham Market, has been Chairman since 2009) and two external members. The Audit Committee considers internal and external audit reports and management responses and provides advice to me and my management team on the strengthening of internal controls. The Committee also provides advice on ensuring effective risk management, financial good practice, value for money, and internal controls and governance.

The Audit Committee makes an annual report to the House Committee which is published with the House’s annual report (see above). The Report sets out the work undertaken by the Committee during the year and the internal audit work considered by the Committee. Highlights in the 2010/11 annual report included monitoring of the work undertaken by the Parliamentary Estates Directorate and the major projects which represent a substantial proportion of the House’s budget: refurbishment of the Cast Iron Roofs of the Palace of Westminster; overhaul of mechanical and electrical services across the Parliamentary Estate; installation of modern fire detection systems; and the now completed refurbishment of Millbank House. The Committee noted improvements in project management and monitored the introduction of a new system of financial support for members.

The Committee met four times in 2011/12 (in April, June and October 2011 and January 2012) and met jointly with the House of Commons Audit Committee twice. Attendance of Audit Committee members is set out in the Audit Committee Annual Report. Minutes, agendas and attendance for meetings are published on the Parliamentary website, along with the Committee’s Annual Report.⁴ The Accounting Officer, the Finance Director and/or Deputy Director and the Head of Internal Audit attend all Committee meetings. I meet in private with the Audit Committee once per year.

Management Board

The House of Lords Management Board provides collective leadership and takes strategic and corporate decisions for the House Administration within the policy framework set by the House Committee. The Board is chaired by me and meets regularly during the year, usually at least once a month. The other eight members of the Board are the directors of key functions in the House of Lords (one being the Director of Parliamentary ICT, a joint department of both Houses of Parliament). The senior external member of the Audit Committee attends all meetings of the Board in an advisory capacity. This further enhances the advice provided by the Board to me on the operation of the systems of corporate governance.

³ Available at: <http://www.parliament.uk/business/committees/committees-a-z/lords-select/house-committee/>

⁴ Available at: <http://www.parliament.uk/business/committees/committees-a-z/other-committees/house-of-lords-audit/>

The Board is supported by other Boards and Committees. The Parliamentary Estate Board recommends and oversees the delivery of the Estates Programme, an area of significant expenditure for the Administration, jointly funded with the House of Commons. The PICT Advisory Board provides advice on the strategic management and prioritisation of the work of the Parliamentary ICT service. The membership of both boards includes representatives from the Management Board. In November 2011 the Management Board agreed jointly with the House of Commons Management Board a Medium Term Investment Plan for expenditure on ICT and Estates, covering the financial years 2012/13 to 2015/16. This is intended to improve joint planning of investment in Parliament's infrastructure and service improvement, including prioritisation between portfolios.

The post of Parliamentary Security Director (PSD) was created during 2011/12 and filled (initially on an interim basis) in January 2012. The PSD is responsible for the strategy, planning and overall delivery of security across the whole Parliamentary Estate. The PSD chairs the Parliamentary Security Board, of which Black Rod (a Management Board member) is a member, and attends Board meetings at least twice a year.

The Management Board considers a number of regular items at its meetings including the corporate risk register (reviewed every month), risk reports, quarterly performance reports and financial, property and other updates. The Board prepares the strategic plan, business plans, financial plans, annual estimates and annual reports for approval by the House Committee.

The Board met 14 times in 2011/12, and held two joint meetings with the House of Commons Management Board. There was 100% attendance at 10 of the 16 meetings, and the average attendance was 95%. The attendance record of individual Board members is shown below. The senior external member of the Audit Committee, Malcolm McCaig, was invited to attend from the fourth meeting onwards and he attended 8 out of the 13 remaining meetings.

Board member	Meetings attended (/ total possible)	Notes
David Beamish (Clerk of the Parliaments and Chairman)	16 / 16	Clerk of the Parliaments from 2nd meeting
Elizabeth Hallam Smith (Information Services)	16 / 16	
David Leakey (Black Rod)	16 / 16	
Andrew Makower (Finance)	15 / 15	Board member from 2nd meeting of period
Joan Miller (Parliamentary ICT)	15 / 16	
Tom Mohan (Human Resources)	10 / 14	Board member from 3rd meeting of period
Edward Ollard (Parliamentary Services)	15 / 15	Board member from 2nd meeting of period
Rhodri Walters (Corporate Services)	15 / 16	
Carl Woodall (Facilities)	15 / 16	
Simon Burton (Human Resources)	2 / 2	Board member for first 2 meetings of period only
Sir Michael Pownall (Clerk of the Parliaments)	1 / 1	Clerk of the Parliaments for first meeting of period only
Philippa Tudor (Finance)	1 / 1	Board member for first meeting of period only

Strategy formulation

The Board has set out its long-term strategy in the Strategic Plan 2011–15 and its annual strategy in the annual Business Plan which is prepared before the beginning of each financial year. The Strategic Plan sets out the priorities for the Administration until 2015, which are aligned with the objectives of the Administration. The annual Business Plan is informed by the Strategic Plan and annual office business plans, which are scrutinised in detail on behalf of the Board by the Business Planning Group. It is within this framework that the Board considers strategy at each Board meeting. The Board has also held two meetings in 2011/12 to focus on individual issues affecting the Administration (see next paragraph). The Strategic Plan, Business Plan and Annual Report are approved by the House Committee.

In addition to the 16 meetings listed above, all Board members attended a Management Board awayday in October 2011 and a “discussion meeting” in February 2012. These meetings provided the opportunity to discuss in detail major issues that the Administration would have to tackle and ensure that an appropriate strategy was in place for the House of Lords. Issues discussed at the awayday included financial and business planning, follow-up to the review of the Administration (see below), and a horizon-scanning exercise to identify main areas of focus for Board members in the coming year. At the discussion meeting, the Board discussed the challenges posed by possible requirements for decanting offices on the Estate.

Financial planning

Financial planning operates on an annual cycle, with a 3-year horizon, integrated with business planning and the public spending cycle.

Data provided to the Board

The Board receives quarterly performance reports. This system has been in place since the beginning of 2011/12 and has improved the data provided to the Board on the business-as-usual activities of the Administration. This system functions alongside the risk reporting system to provide an overall view of the work of the Administration.

Board effectiveness

The Management Board conducts a self-assessment annually, and an assessment by an external reviewer is carried out every three years. The last such external review was completed in March 2011 as part of a wider review of the Administration. Recommendations on ensuring that the work of the Board was focused on strategy formulation were implemented and the senior external member of the Audit Committee was invited to attend Board meetings.

The Management Board undertook a self-assessment exercise in April and May 2012. Responses were generally positive and show improvement overall compared to the previous year. An action plan has been drawn up following the review. Action points include:

- Hold joint meetings with the Business Planning Group on strategic issues
- Consider how to link financial and performance reporting more closely.
- Trial more collaborative approach for working with House Committee
- Agree a Management Board handbook.

A review of Board sub-groups is under way and recommendations will be considered by the Board in 2012/13.

Assessment of compliance with the Code of Good Practice for Corporate Governance, and explanation of departures

Internal Audit section has carried out a review of the Administration's compliance with the new (July 2011) Treasury Code of Good Practice for Corporate Governance in Central Government Departments. The review was completed in June 2012. This was conducted having regard to the fact that the Code is aimed at ministerial departments and so some aspects are of little or no relevance to parliamentary administration. The most significant departure from the Code identified was in relation to the guidance on Ministerial Boards; there is no direct equivalent in the House of Lords. As noted above, the House of Lords instead has a two-tier governance arrangement with the House Committee providing strategic direction and the Management Board having executive responsibility for the provision of services. The report provided substantial assurance on the strength of current governance arrangements and made a number of recommendations for change. The Management Board will consider and respond to the recommendations during 2012/13 and will address any relevant areas of non-compliance with the Code.

Risk and Control Framework

Assurance Framework

As Accounting Officer I receive assurance on the effectiveness of internal controls from three sources: the Internal Audit team, senior managers within the Administration and external sources, including the National Audit Office and the House of Commons.

Internal Audit

The internal audit section operates to Government Internal Audit Standards. The annual internal audit work programme is recommended to me by the Audit Committee at its first meeting in each financial year. The programme contains reviews of areas within the Lords Administration and from the major shared services. Coverage of the latter is co-ordinated between the internal audit functions of the two Houses with all reports shared.

At the end of each financial year, the Head of Internal Audit is required to provide me with an annual opinion on the strength of arrangements for governance, risk management and internal control. The opinion for 2011/12 offered substantial assurance but referred to concerns in certain areas, including procurement and management of the Special Services Agreement (SSA) with the Metropolitan Police. I will seek additional assurance in these areas during the coming year (and the PSD is already seeking to make progress in strengthening the management of the SSA).

Senior managers

Senior managers provide me with assurance on effective internal controls in part through the risk management framework. Further details on the risk management framework are set out below. Executive managers also provide me with assurance through annual second-tier statements of internal control, completed at the end of each financial year. These provide me with assurance on the strength of control in each office within the Administration and set out any issues encountered during the year.

Issues highlighted by the 2011/12 round of second-tier statements of internal control included some concerns relating to Health and Safety, Fire Safety and Information Security. Action is being taken to address issues in all of these areas.

External assurances

There are some significant areas of expenditure for which I am responsible but for which day-to-day operational control and financial management has been devolved to external parties. For these areas I seek additional assurances as follows:

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

Risk Management Framework

As noted above, senior managers provide me with assurance on effective internal controls in part through the risk management framework. Each corporate risk of the House of Lords Administration has a nominated risk owner on the Management Board, except the security risk which is owned by the Parliamentary Security Director. These officials are responsible for ensuring that the risks allocated to them are managed effectively in accordance with the Administration's risk appetite, and for reporting relevant risk information to the Management Board. 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.

The Audit Committee provides advice on the effectiveness of the risk management system to me as Accounting Officer and, via its annual report, appropriate assurance to the House Committee. The House Committee is also informed of any substantive change of policy in this area.

The risk management framework has been reviewed and refined in 2011/12, following an internal audit review. Weaknesses identified included a disconnection between management of corporate and office risks and the lack of any procedure for the Management Board to identify risk appetite for each corporate risk when agreed. These weaknesses have been addressed as part of the review, which aimed to ensure that the system was as effective as possible in assisting in the identification and mitigations of risks and that the system is embedded within all levels of the Administration. I have also appointed a Board member, Rhodri Walters, as Risk Champion to oversee the implementation of the risk management framework and guidance and training on its use. Rhodri and I will continue to monitor the implementation of the revised framework.

Newly identified risks

The Management Board reviewed the Administration's corporate risks in 2011/12 and made a number of changes to the areas which are considered to pose the biggest threats to the achievement of the Administration's strategic objectives. Additions to the corporate risks have included failure to deal with an incident or comply with legal requirements relating to health and safety, fire safety or environmental management, the M&E medium-term and long-term programmes failing to deliver expected benefits on time and to budget and disruption to the strategic plan objectives as a result of a failure to work effectively with the House of Commons.

Offices have also identified operational risks in office risk registers. Emerging risks identified in 2011/12 at office level included risks related to Health and Safety (now reflected in the corporate risks) in terms of both legal compliance and specific issues within individual offices. Specific emerging reputational risks were also identified at office level, in particular relating to Catering and Retail Services. On average, the highest exposures at office level were related to the staffing, ICT and infrastructure risks.

Risk profile

Over the financial year, the infrastructure of the estate has remained the area which the Management Board has identified as the greatest risk to the achievement of the corporate objectives. The risk was rated as red since it was first identified as a corporate risk in 2009. The Board agreed to treat the risk and, after the risk remaining at red for two years, the Board was satisfied that it had fallen to amber in October 2011 in the light of the programme of "aggressive maintenance" being undertaken. This remains an area of high risk.

The Millbank House project also emerged as a red risk during the financial year. This risk was managed effectively, as the first phase has been successfully completed. The risk has now been removed from the list of corporate risks as the project is all but complete and no longer threatens the achievement of the corporate objectives.

House of Lords reform

This statement is presented against a backdrop of Government proposals for major reform of the composition of the House of Lords planned to begin in 2015. The bill to implement this reform will be contentious and at this stage it is impossible to forecast the timing and nature of any reform. The Administration therefore seeks to be agile (in respect of both staffing and provision of accommodation) so as to be able to respond to the challenges of making the transition and supporting a reformed House.

Risk appetite

As part of the review of the risk management framework, the Management Board agreed to a proposal to identify a risk appetite for each corporate risk. Each corporate risk owner will propose a risk appetite for that risk in their regular risk reports to the Board. The revised framework has been in place since 1 May 2012 and the Board will have agreed a risk appetite for each corporate risk by the end of the financial year 2012/13.

Information Risk

During 2011-12 work has been undertaken to strengthen the governance of information security risk with the appointment of the Parliamentary Security Director and the establishment of the bicameral Data Security Group chaired by the Senior Information Risk Owners of each House. Information loss reports are monitored, particularly any relating to personal data or that which is otherwise sensitive such as information that has been protectively marked. Offices reported no such cases of information loss over this period. Additional training of key staff has taken place and each office now has a register of sensitive information assets. A follow-up audit this year of information security arrangements in the House of Lords, carried out by the Internal Audit section, showed further progress had been made. The report made a number of positive recommendations and these will be implemented over the next 12 months.

David Beamish

Clerk of the Parliaments and Accounting Officer

11 July 2012

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

I certify that I have audited the financial statements of the House of Lords for the year ended 31 March 2012. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity, and the related notes. I have also audited the Statement of Parliamentary Supply 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, certify and report on the financial statements. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. For the House of Lords, the voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012, and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 affairs of the House of Lords as at 31 March 2012 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the House of Lords Financial Reporting Manual.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect House of Lords application of best practice, including 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
London, SW1W 9SP

11 July 2012

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2011-12

		2011-12 £000			2010-11 £000				
		Estimate		Outturn		Outturn			
Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/(excess)	Total	
Department Expenditure Limit									
- Resource	2	91,756	-	91,756	89,625	-	89,625	2,131	74,557
- Capital	2	18,281	-	18,281	12,863	-	12,863	5,418	17,602
Annually Managed Expenditure									
- Resource	2	26,107	-	26,107	19,170	-	19,170	6,937	2,841
- Capital		-	-	-	-	-	-	-	-
Total Budget		136,144	-	136,144	121,658	-	121,658	14,486	95,000
Non-Budget									
- Resource		-	-	-	-	-	-	-	-
Total		136,144	-	136,144	121,658	-	121,658	14,486	95,000
Total Resource	2	117,863	-	117,863	108,795	-	108,795	9,068	77,398
Total Capital	2	18,281	-	18,281	12,863	-	12,863	5,418	17,602
Total		136,144	-	136,144	121,658	-	121,658	14,486	95,000

Net cash requirement 2011-12

		2011-12 £000		2010-11 £000	
Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving/(excess)	Outturn	
Net cash requirement	15	102,550	97,763	4,787	92,183

The House of Lords is outside HM Treasury's administration costs control regime. All expenditure is classified as programme costs.

Figures in outline boxes are voted totals or other total subject to Parliamentary control.

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

The notes on pages 25 to 47 form part of the accounts

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2012

	Note	2011-12 £000	2010-11 £000
Programme Costs			
Staff costs	5	22,975	23,286
Other costs	6	92,348	71,127
Income	7	(6,528)	(6,141)
Total		<u>108,795</u>	<u>88,272</u>
Net Operating Cost before pension adjustment		<u>108,795</u>	<u>88,272</u>
Pension adjustment	5	-	(10,874)
Net Operating Cost		<u>108,795</u>	<u>77,398</u>
Total Expenditure		115,323	83,539
Total Income		(6,528)	(6,141)
Net Operating Costs		<u>108,795</u>	<u>77,398</u>
Other Comprehensive Expenditure			
Net (gain)/loss on revaluation of Property, Plant and Equipment		(15,380)	18,497
Net (gain)/loss on pension liabilities due to changes in actuarial assumptions		(1,771)	(10,303)
Total Comprehensive Expenditure		<u>91,644</u>	<u>85,592</u>

The notes on pages 25 to 47 form part of the accounts

Statement of Financial Position

as at 31 March 2012

		31 March 2012	31 March 2011
		£000	£000
	Note		
Non-current assets:			
Property, plant and equipment	8	435,171	428,311
Intangible assets	9	190	189
Total non-current assets:		435,361	428,500
Current assets:			
Inventories	12	197	169
Trade and other receivables	13	3,145	2,015
Cash and cash equivalents	14	259	765
Total current assets:		3,601	2,949
Total assets:		438,962	431,449
Current liabilities:			
Trade and other payables	16	(5,583)	(8,815)
Total current liabilities		(5,583)	(8,815)
Non-current assets plus net current assets		433,379	422,634
Non-current liabilities:			
Provisions	17	(102,015)	(97,474)
Total non-current liabilities		(102,015)	(97,474)
Assets less liabilities		331,364	325,160
Taxpayers' equity:			
General Fund		223,890	231,706
Revaluation Reserve		107,474	93,237
Donated Asset Reserve		-	217
Total taxpayers' equity		331,364	325,160

David Beamish
Clerk of the Parliaments and Accounting Officer

11 July 2012

The notes on pages 25 to 47 form part of the accounts

Statement of Cash Flows

for year ended 31 March 2012

	Note	2011-12 £000	2010-11 £000
Cash flows from operating activities			
Net operating cost		(108,795)	(77,398)
Adjustments for non-cash transactions	6	26,808	9,367
(Increase)/Decrease in trade and other receivables	13	(1,130)	578
(Increase)/Decrease in inventories	12	(28)	(8)
Increase/(Decrease) in trade payables and other liabilities	16	(2,726)	2,338
<i>Less (increase)/decrease in amounts due to the Consolidated Fund</i>		-	-
Use of provisions		958	(9,468)
Net cash outflow from operating activities		(84,913)	(74,591)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(12,748)	(17,459)
Purchase of intangible assets	9	(102)	(143)
Net cash outflow from investing activities		(12,850)	(17,602)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		97,267	92,014
Net financing		97,267	92,014
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		(496)	(179)
Prior year supply to be repaid to the Consolidated Fund	3	-	10
Payments of amounts due to the Consolidated Fund		(10)	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(506)	(169)
Cash and cash equivalents at the beginning of the period	14	765	934
Cash and cash equivalents at the end of the period	14	259	765

The notes on pages 25 to 47 form part of the accounts

Statement of Changes in Taxpayers' Equity

	Note	General Fund £000	Revaluation Reserve £000	Donated Asset Reserve £000	Total Reserves £000
Balance at 31 March 2010		206,471	111,786	217	318,474
Net Parliamentary Funding – drawn down		92,014	-	-	92,014
Net Parliamentary Funding – deemed		934	-	-	934
Supply payable adjustment		(755)	-	-	(755)
Comprehensive Net Expenditure for the Year		(77,398)	-	-	(77,398)
Non-Cash Adjustments					
Non-cash charges – auditor's remuneration		85	-	-	85
Movement in Reserves					
Recognised in Statement of Comprehensive Net Expenditure		10,303	(18,497)	-	(8,194)
Transfers between Reserves		52	(52)	-	-
Balance at 31 March 2011		231,706	93,237	217	325,160
Net Parliamentary Funding – drawn down		97,267	-	-	97,267
Net Parliamentary Funding – deemed		755	-	-	755
Supply payable adjustment		(259)	-	-	(259)
Comprehensive Net Expenditure for the Year	2	(108,795)	-	-	(108,795)
Non-Cash Adjustments					
Non-cash charges – auditor's remuneration	6	85	-	-	85
Movement in Reserves					
Recognised in Statement of Comprehensive Net Expenditure	17, 8	1,771	15,380	-	17,151
Transfers between Reserves		1,360	(1,143)	(217)	-
Balance at 31 March 2012		223,890	107,474	-	331,364

The notes on pages 25 to 47 form part of the accounts

Notes to the Resource Accounts

I. Statement of accounting policies

The financial statements have been prepared in accordance with the *House of Lords' Financial Reporting Manual* with reference to the 2011-12 *Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the House of Lords for the purpose of giving a true and fair view has been selected. The particular policies adopted by the House of Lords are described below. The accounting policies have been applied consistently in dealing with items that are considered material to the accounts. Whilst the House of Lords is not obliged to comply with the *FReM* or HM Treasury's *Corporate Governance in Central Government Departments: Code of Good Practice*, it seeks to apply best practice principles wherever possible.

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

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

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

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

ICT services are managed by the Parliamentary Information and Communication Technology (PICT) service for both Houses. Each House pays for its own ICT hardware and House specific software, with the costs of PICT itself being split on an 20:80 (Lords:Commons) ratio. Capital costs incurred by PICT are included on each House's *Statement of Financial Position* at the appropriate 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 cost. These accounts comprise the House of Lords' Estimate, which includes expenses and allowances paid to Members of the House of Lords. The estimate also includes administrative and accommodation costs, such as security, catering, estates and works services expenditure.

1.2 Impending application of newly issued accounting standards not yet effective

The House of Lords provides disclosure that it has not yet applied a new accounting standard, and known or reasonably estimable information relevant to assessing the possible impact that initial application of the new standard will have on the resource accounts. There were no new standards issued for 2011-12 and not applied, which would materially affect the resource accounts. The House of Lords has also not adopted any standards early.

1.3 Property, Plant and Equipment

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

Notes to the Resource Accounts – *continued*

i. Land and Buildings

Land and buildings shown in the accounts are as follows:

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

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

The Parliamentary Estate is subject to a full professional revaluation every 5 years, supplemented by an annual VOA desktop valuation in the interim years. The Parliamentary Estate was re-valued during 2011-12 by the VOA using a desktop valuation; the valuation date was as at 31 March 2012. The last full revaluation was as at 31 March 2008.

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

ii. Long Leasehold Properties

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

iii. Plant and Machinery

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

iv. Other Non Current Assets

Other non current assets have been stated at current cost using appropriate indices where appropriate. For 2011-12 other non current assets were not subject to revaluation as the modified costs were not material.

v. Assets Under Construction

The Millbank Island site was transferred to an Asset Under Construction in 2009-10 for a period of two years whilst the properties underwent renovation. The assets were transferred at their current NBV as at 1 September 2009.

The Millbank Island site, now known as Millbank House, has been transferred from an Asset Under Construction to long leasehold land and long leasehold building during 2011-12. Following completion of the project the land and building have been revalued by the VOA; the valuation date was 31 March 2012.

Assets under construction additions have been capitalised at cost.

vi. Intangible Non Current Assets

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

Notes to the Resource Accounts – *continued*

1.4 Heritage Assets

FRS 30, Heritage Assets, requires organisations to provide additional information, within the financial statements, of any heritage assets held by them. Each category of heritage asset held by the House of Lords, along with the applicable accounting policy and asset management policies, is detailed below.

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

i. Antique Furniture

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

Each year the Furniture Manager in the Parliamentary Estates Directorate carries out an internal review to assess if any revaluation adjustment is required. During 2009-10 the furniture was valued by H Blairman & Sons who gave an indicative valuation for purposes of insurance. This is the value used at 31 March 2012.

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

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

ii. Works of Art Collection

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

The collection originally consisted of works of art commissioned by the Fine Arts Commission, with the purpose of bringing the history of the nation to life on the walls of the interiors of the Houses of Parliament. Many of the works added later were acquired as donations from Members of both Houses. Until 1991 the collection was held jointly by both Houses of Parliament; at that date the works were nominally split between the two Houses on the basis of where works were situated at that date. However, this split did not necessarily reflect actual ownership at the date of acquisition, or the locations for which the works were originally commissioned or intended. Details of the House of Lords Works of Art Collection Fund, including the current year acquisitions, are contained in note 24.

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

Notes to the Resource Accounts – continued

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

The Works of Art collection is managed by the Houses' Curator. The Curator's Office is responsible for all aspects of the management, care, conservation, preservation and interpretation of the Parliamentary Art Collection at the Palace of Westminster in accordance with the policies that are approved by the Works of Art Committees of both Houses. The House of Lords Works of Art Committee aims to acquire or commission works of the highest quality and condition achievable. The Committee oversees the Works of Art Collection Fund, details of which are in note 24. The House's detailed disposal and access policy was drafted during 2011-12 and is currently under discussion and review.

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

The collection held by Parliament, either solely or jointly with the House of Commons, prior to 1 April 2000 can be classified as:

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

iii. The Parliamentary Archives

The Record Office was established in the House of Lords in 1946, became a shared facility with the House of Commons in 1999 and was renamed the Parliamentary Archives in 2006.

The Parliamentary Archives comprise several million documents that have been preserved at the Palace of Westminster from 1497 in a variety of formats, from vellum and parchment to computer disk. Parliamentary records prior to 1497 form part of The National Archives. The records are predominantly unique and irreplaceable and have been preserved for their historical, legal and administrative value. It is not deemed cost effective to obtain a value. The Parliamentary Archives occasionally purchase historical manuscripts which are important to the history of Parliament. These are included in the Statement of Financial Position at cost.

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

iv. Broadcasting Archives

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

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

Notes to the Resource Accounts – *continued*

v. House of Lords Library Collection

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

vi. Members' Robes

The House of Lords holds robes which are lent to Members for ceremonial use on State occasions. These were donated or bequeathed to the House by former Members, are secured within the Palace and cleaned and repaired as necessary. Any maintenance costs are charged to the Statement of Comprehensive Net Expenditure when incurred. The value of Member Robes is based on an indicative valuation for purposes of insurance and the robes, due to their long life, are not depreciated.

vii. Ceremonial Items

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

viii. Architectural salvage and estate archives

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

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

1.5 Depreciation and Amortisation

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

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

Asset lives are usually in the following range:

Palace of Westminster	84 years
Other buildings	remaining life (between 22-42 years)
Fixtures and fittings	10 years
Catering and Retail Services silverware	20 years
Broadcasting equipment	10 years
Telephone equipment	5-10 years
General office equipment	5-10 years
Plant and Machinery (excluding clock mechanism)	5-10 years
Computer file servers and software	3-5 years
Other IT equipment	3-4 years

Notes to the Resource Accounts – continued

1.6 Inventories

Inventories include goods for resale and other inventories held by Catering and Retail Services. Finished goods for resale are valued at cost or, where materially different, current replacement cost and at net realisable value only when they either cannot or will not be used.

1.7 Research and Development

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

1.8 Income

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

1.9 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.

1.10 Pensions

Present and past employees of the House of Lords are covered by the provisions of the House of Lords Staff Pension Scheme (HOLSPPS) described in note 5. The pension scheme is accounted for under the terms of *IAS 19 Employee Benefits*. The annual accruing cost of providing for future benefits is charged to the Statement of Comprehensive Net Expenditure and is based upon rates determined by the Government Actuary and advised by HM Treasury. These rates were in the range of 16.7-24.3% of pensionable pay. A provision to meet the liability is included on the Statement of Financial Position. Actuarial gains and losses are recognised as an adjustment to the General Fund in the year the gains/losses occur. The HOLSPPS 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.

1.11 Leases

Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure over the lease term. The House of Lords holds two properties on 999 year leases and two further properties on leases greater than 100 years. These are capitalised and the building elements are depreciated over their useful life.

1.12 Grants payable

The House of Lords, along with the House of Commons, provides grant funding to certain bodies with links to Parliament. Generally grants are paid quarterly and the amounts are reviewed each year. In 2011-12 the House of Lords made the following grant payments:

	2011-12	2010-11
	£	£
History of Parliament Trust	522,720	580,800
Commonwealth Parliamentary Association UK Branch	499,000	438,300
Inter-Parliamentary Union British Group	113,600	293,400
British-Irish Parliamentary Assembly	-	55,800
British-American Parliamentary Group	29,700	33,000
	1,165,020	1,401,300

Notes to the Resource Accounts – continued

1.13 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.

1.14 Third-party assets

The House of Lords Catering and Retail Services receives and pays gratuities on behalf of its staff; for 2011-12 the amount paid was £346,746 (2010-11 – £329,626). The balance held at the end of the financial year was £68,637 (2010-11 - £62,887).

1.15 Contingent Liabilities

Potential contingent liabilities are reviewed each year and disclosed in a note to the accounts (see note 20). In addition to contingent liabilities disclosed in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets*, the House discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament is separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated in the amounts reported to Parliament.

1.16 Value Added Tax

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

1.17 Repayment by Members

During 2010-11 several cases of alleged abuses of the former Members Reimbursement Scheme were investigated. Two Members were charged with criminal offences and sentenced to imprisonment and the monies owed by a third Member (totalling £125,349.10) were being actively pursued by the Administration. In 2011-12 the Committee for Privileges and Conduct reported on the two Members convicted of criminal charges and determined that the amounts still owed to the House totalled £41,488.40. All of these amounts, totalling £166,837.50, have been repaid to the House of Lords and are recognised in the 2011-12 financial statements.

Notes to the Resource Accounts – continued**2. Net Outturn****2.1 Analysis of net resource outturn by section**

						2011-12 £000	2010-11 £000	
						Estimate	Outturn	
						Net Total outturn compared with Estimate	Total	
Programme	Grants	Gross	Income	Net Total	Net Total			
Spending in Departmental Expenditure Limit								
Voted:								
Administration	71,531	1,165	72,696	(5,310)	67,386	69,364	1,978	53,775
Works Services	23,457	-	23,457	(1,218)	22,239	22,392	153	20,782
Annually Managed Expenditure								
Voted:								
Administration	19,170	-	19,170	-	19,170	26,107	6,937	2,841
Total	114,158	1,165	115,323	(6,528)	108,795	117,863	9,068	77,398

2.2 Analysis of net capital outturn by section

						2011-12 £000	2010-11 £000
						Estimate	Outturn
						Net Total outturn compared with Estimate	Total
		Gross	Income	Net Total	Net Total		
Spending in Departmental Expenditure Limit							
Voted:							
Administration		367	13	380	926	546	1,255
Works Services		12,483	-	12,483	17,355	4,872	16,347
Annually Managed Expenditure							
Voted:							
Administration		-	-	-	-	-	-
Total		12,850	13	12,863	18,281	5,418	17,602

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

Notes to the Resource Accounts – continued

3. Analysis of income payable to the Consolidated Fund

In addition to income retained by the House of Lords, the following income relates to the House of Lords and is payable to the Consolidated Fund.

	Note	Outturn 2011-12		Outturn 2010-11	
		£000	£000	£000	£000
		Income	Receipts	Income	Receipts
Operating income outside the ambit of the Estimate		-	-	-	
Excess cash surrenderable to the Consolidated Fund		-	-	-	10
Total income payable to the Consolidated Fund		-	-	-	10

4. Segmental Reporting

The reporting segments identified below are in line with the Management Board functions as listed in the governance structure in the *House of Lord Business Plan 2012/13* (HL Paper 267).

The Management Board is responsible for managing change in the House of Lords to increase value for money, improve performance and reduce cost so that the House operates and delivers services more efficiently and effectively. The members of the Board are the directors of key functions in the House of Lords.

The Management Board review the annual budget and resource expenditure by function on a quarterly basis. Total assets and net assets are managed and controlled at a corporate level.

Function	2011-12			2010-11		
	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
Clerk of the Parliaments	2,182	-	2,182	2,502	-	2,502
Parliamentary Services	9,927	(11)	9,916	9,584	(12)	9,572
Corporate Services	1,498	-	1,498	1,494	-	1,494
Support Services	45,655	(5,781)	39,874	28,650	(5,413)	23,237
Information Services	6,343	(24)	6,319	6,250	(29)	6,221
Financial Resources	24,023	-	24,023	19,969	-	19,969
Security	11,599	-	11,599	11,606	(1)	11,605
Information and Communication Technology	6,112	-	6,112	6,402	-	6,402
Human Resources	909	(712)	197	938	(686)	252
Centrally held funds	7,075	-	7,075	(3,856)	-	(3,856)
Total	115,323	(6,528)	108,795	83,539	(6,141)	77,398
Total Assets			438,962			431,449
Net Assets			331,736			325,160

Notes to the Resource Accounts – continued

5. Staff numbers and related costs

Staff costs (including 20% of PICT) comprise:

	2011-12	2010-11
	£000	£000
Wages and salaries	17,521	17,138
Social security costs	1,302	1,315
Other pension costs	4,640	5,215
Sub total	22,463	23,668
Less recoveries in respect of outward secondments	(488)	(382)
Net costs before pension adjustments	22,975	23,286
Pension adjustment*	-	(10,874)
Total net cost	22,975	12,412

The House of Commons ran a voluntary exit scheme during 2011-12 for which both House of Commons and PICT staff could apply. As PICT staff are jointly employed by both Houses, the House of Lords paid the related proportion of the PICT staff voluntary exit packages. The total cost to the House of Lords was £102,810 (2010-11 £72,800).

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 2012.

For 2011-12, employers' contributions of £2,676,698 (2010-11 – £2,588,571) were accrued at rates in the range 16.7-24.3% (2010-11 – 16.7-24.3%) of pensionable pay, based on salary bands. The rates are reviewed every four years by the Government Actuary and advised by HM Treasury. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred and reflect past experience of the scheme.

Employees joining after 1 October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £29,464 (2010-11 – £26,111) 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% (2010-11 – 3-12.5%) of pensionable pay. Contributions due to the partnership pension providers at the Statement of Financial Position date were £nil (2010-11 – nil). Contributions prepaid at that date were £nil (2010-11 – nil).

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

*Pension adjustment

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

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

Notes to the Resource Accounts – continued

Average number of persons employed

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

	2011-12	2010-11
House of Lords Administration	445	441

The average number of persons employed excludes PICT staff.

6. Other costs

	Note	2011-12 £000	2010-11 £000
Rentals under operating leases		2,239	2,203
Non-cash items			
Depreciation	8	7,318	5,764
Amortisation	9	97	81
Net (gain)/loss on disposal of property, plant and equipment		(13)	8
Net (gain)/loss on revaluation of property, plant and equipment		13,967	(1,914)
Auditor's remuneration and expenses		85	85
Interest cost on provisions	17.1	5,456	4,755
Provision provided in year	17.2	11	588
Provision written back	17.2	(113)	-
<i>Total non-cash items</i>		26,808	9,367
Members' Expenses and Financial Support		22,604	18,740
Security		10,202	10,203
Estates & Works expenditure		15,252	15,955
Printing and publications		3,163	3,432
IT costs		3,732	3,634
Grants	1.12	1,165	1,401
Other expenditure		7,183	6,192
Total		92,348	71,127

The auditor's remuneration is made up of £85,000 for the 2011-12 Resource Account audit (2010-11 - £85,000).

Further information on Members' Expenses and Financial Support is available at www.parliament.uk

7. Income

	2011-12 £000	2010-11 £000
Catering and Retail Services sales	4,558	4,203
Pension contributions and transfers in	712	686
Fees, charges and rental income	1,258	1,252
Total	6,528	6,141

Notes to the Resource Accounts – continued

8. Property, plant and equipment

	Land & Buildings excluding dwellings	Dwellings	Fixtures & Fittings	Information Technology	Plant & Machinery	Heritage Assets	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2011	677,955	2,264	2,334	8,785	1,734	14,281	54,748	762,101
Additions	3,911	-	1,436	349	-	165	6,887	12,748
Disposals	-	-	(112)	(214)	-	-	-	(326)
Reclassifications	61,635	-	-	-	-	-	(61,635)	-
Revaluations	21,584	238	-	(18)	-	-	-	21,804
At 31 March 2012	765,085	2,502	3,658	8,902	1,734	14,446	-	796,327
Depreciation								
At 1 April 2011	322,588	75	1,325	6,087	272	-	3,443	333,790
Charged in year	5,777	73	319	1,068	81	-	-	7,318
Disposals	-	-	(133)	(210)	-	-	-	(343)
Reclassifications	3,443	-	-	-	-	-	(3,443)	-
Revaluations	20,392	15	-	(16)	-	-	-	20,391
At 31 March 2012	352,200	163	1,511	6,929	353	-	-	361,156
Net book value at 31 March 2012	412,885	2,339	2,147	1,973	1,381	14,446	-	435,171
Net book value at 31 March 2011	355,367	2,189	1,009	2,698	1,462	14,281	51,305	428,311

Analysis of Land and Buildings

	Land		Buildings		Improvements	Total
	Freehold	Long Leasehold	Freehold	Long Leasehold		
	£000	£000	£000	£000		
Cost or valuation						
At 1 April 2011	40,713	4,824	614,602	14,967	2,849	677,955
Additions	-	-	4,194	-	(283)	3,911
Disposals	-	-	-	-	-	-
Reclassifications	-	15,094	-	46,541	-	61,635
Revaluations	2,195	3,018	33,505	(17,134)	-	21,584
At 31 March 2012	42,908	22,936	652,301	44,374	2,566	765,085
Depreciation						
At 1 April 2011	-	-	321,677	499	412	322,588
Charged in year	-	-	3,848	1,772	157	5,777
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	3,443	-	3,443
Revaluations	-	-	22,179	(1,787)	-	20,392
At 31 March 2012	-	-	347,704	3,927	569	352,200
Net book value at 31 March 2012	42,908	22,936	304,597	40,447	1,997	412,885
Net book value at 31 March 2011	40,713	4,824	292,925	14,468	2,437	355,367

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

Analysis of Land and Buildings

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

Notes to the Resource Accounts – continued

Land and buildings

The Parliamentary Estate was re-valued during 2011-12 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 2012. The total value of the Palace as at 31 March 2012 was £850,589,400 (House of Lords share £340,235,760).

Assets Under Construction

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

By the autumn of 2011 official occupancy of Millbank House (formerly 1 and 2 Millbank) was transferred back to the House of Lords. The VOA subsequently re-valued Millbank House as part of the 2011-12 exercise. Millbank House was valued as at 31 March 2012 at market value.

Fixtures and Fittings

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

Plant and Machinery

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

Heritage Assets

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

i. Antique Furniture

During 2009-10 the furniture was valued by Bonhams who gave an indicative valuation for purposes of insurance and a market value. The market value was the value used at 31 March 2012. The value of the antique furniture as at 31 March 2012 was £13,517,920.

ii. Works of Art

Works of Art acquired prior to 1 April 2000 are not included on the Statement of Financial Position. The value of Works of Art as at 31 March 2012 was £657,115 (2010-11 - £493,586). Details of the Works of Art Collection Fund are in note 24.

iii. Historical Manuscripts

The Parliamentary Archives occasionally purchase historical manuscripts which are important to the history of Parliament. The value of these manuscripts held within the Statement of Financial Position as at 31 March 2012 was £51,879.

iv. Members' Robes

The value of the donated Members' Robes as at 31 March 2012 was £217,453.

Notes to the Resource Accounts – continued**9. Intangible non current assets**

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

	Information technology and Software licences
	£000
Cost or valuation	
At 1 April 2011	2,466
Additions	102
Reclassifications	-
Disposals	(32)
Revaluation	-
At 31 March 2012	2,536
Amortisation	
At 1 April 2011	2,277
Charged in year	97
Disposals	(28)
Revaluation	-
At 31 March 2012	2,346
Net book value at 31 March 2012	190
Net book value at 1 April 2011	189

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

Notes to the Resource Accounts – continued

10. 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 therefore 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.

Financial assets and liabilities by category

	31 March 2012		31 March 2011	
	Loans and receivables £000	Other financial liabilities £000	Loans and receivables £000	Other financial liabilities £000
Assets				
Trade receivables	2,608	-	1,882	-
Cash and cash equivalents	259	-	765	-
Liabilities				
Trade and other payables	-	5,324	-	8,050

11. Revaluation of the Parliamentary Estate

The revaluation exercise of property, plant and equipment during the year resulted in £15,380,000 of the revaluation gain being adjusted against the revaluation reserve (2010-11 £18,497,000 loss) and a loss of £13,967,000 being charged to operating costs (2010-11 £1,914,000 gain).

12. Inventories

	31 March 2012 £000	31 March 2011 £000
Inventories	197	169
	197	169

Notes to the Resource Accounts – continued**13. Trade receivables and other current assets**

	31 March 2012 £000	31 March 2011 £000
Amounts falling due within one year:		
Trade receivables	2,608	1,882
Deposits and advances	-	-
Prepayments and accrued income	537	133
	3,145	2,015
Amounts falling due after more than one year		
Other receivables, deposits and accrued income	-	-
	3,145	2,015

14. Cash and cash equivalents

	£000
Balance at 1 April 2011	765
Net change in cash and cash equivalent balances	(506)
Balance at 31 March 2012	259

	31 March 2012 £000	31 March 2011 £000
The following balances were held at:		
Government Banking Service (prior years: Office of HM Paymaster General)	24	405
Commercial banks and cash in hand	235	360
Balance at 31 March	259	765

15. Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	31 March 2012 £000	31 March 2011 £000
Net Cash Requirement	(97,763)	(92,183)
From the Consolidated Fund (Supply) – current year	97,267	92,014
Payments of amounts due to the Consolidated Fund	(10)	-
Increase/(decrease) in cash	(506)	(169)

Notes to the Resource Accounts – continued**16. Trade payables and other current liabilities**

	31 March 2012 £000	31 March 2011 £000
Amounts falling due within one year		
Trade payables	574	3,116
Other payables	2,152	2,636
VAT	71	6
Accruals and deferred income	2,527	2,292
Amounts issued from the Consolidated Fund for supply but not spent at year end	259	755
Prior year supply to be repaid to the Consolidated Fund	-	10
	5,583	8,815
Amounts falling due after more than one year		
Other payables, accruals and deferred income	-	-
	5,583	8,815

17. Provisions for liabilities and charges*17.1 Pension Liability*

The House of Lords Staff Pension Scheme is an unfunded defined benefit scheme 'by analogy' to the Principal Civil Service Pension Scheme. A full valuation was carried out at 31 March 2012 by the Government Actuary's Department in accordance with the Financial Reporting Manual (FrM).

	2011-12 £000	2010-11 £000	2009-10 £000	2008-09 £000	2007-08 £000
Present value of the scheme liabilities					
Liabilities in respect of:					
Active members	53,514	51,528	60,714	39,288	40,534
Deferred Pensioners	8,729	8,020	10,341	6,353	6,345
Current Pensioners	39,438	37,338	40,847	33,493	32,545
Total present value of the scheme liabilities	101,681	96,886	111,902	79,134	79,424

The major assumptions used by the Actuary were:

	31 March 2012	31 March 2011
Financial assumptions	%	%
The CPI inflation assumption	2.00	2.65
The rate of increase in salaries	4.25	4.90
The rate of increase for pensions in payment and deferred pensions	2.00	2.65
The rate used to discount scheme liabilities	4.85	5.60

Notes to the Resource Accounts – continued*Analysis of movement in scheme liability*

	2011-12	2010-11
	£000	£000
Value of liabilities at 1 April	96,886	111,902
Current service cost	3,518	4,080
Employee contributions	486	490
Interest on scheme liability	5,456	4,755
Pension transfers in	147	135
Benefits payable	(3,041)	(2,844)
Past service costs	-	(10,874)
Pension payments to and on account of leavers	-	(455)
Actuarial (gain)/loss	(1,771)	(10,303)
Balance at 31 March	101,681	96,886

Analysis of actuarial (gain)/loss

	2011-12	2010-11
	£000	£000
Experience (gains)/losses arising on scheme liabilities	(3,635)	(3,791)
Changes in assumptions underlying the present value of the scheme liabilities	1,864	(6,512)
	(1,771)	(10,303)
Cumulative total actuarial loss/(gain)	29,962	31,733

Expenses recognised in the Statement of Comprehensive Net Expenditure

	2011-12	2010-11
	£000	£000
Current services costs*	3,518	4,080
Interest costs (note 6)	5,456	4,755
Past service costs	-	(10,874)
	8,974	(2,039)

* included within “other pension costs”, note 5

History of (gains) and losses

	2011-12	2010-11	2009-10	2008-09	2007-08
	£000	£000	£000	£000	£000
Experience (gains)/losses on liabilities					
Amount	(3,635)	(3,791)	16	787	1,062
Percentage of the present value of the scheme liabilities	(3.6)%	(3.9)%	0.0%	1.0%	1.3%

Estimate of contributions expected to be paid into the scheme over the year 1 April 2012 to 31 March 2013

Employer contributions	4,185
Employee contributions	636
	4,821

Notes to the Resource Accounts - continued

17.2 Other Provisions – Dilapidation Provision

The House of Lords has leasehold properties. Under the terms of individual leases the House of Lords is required to return the property to the landlord in a specified condition. A relevant provision has been set up for each property to which this may apply in order for the House of Lords to meet its contractual obligations. The provision relates to two leasehold properties, one of which has been vacated during 2011-12.

	2011-12	2010-11
	£000	£000
Value of liabilities at 1 April	588	-
Provided in the year	11	588
Provision not required written back	(113)	-
Provision utilised during the year	(152)	-
Balance at 31 March	334	588

18. Capital commitments

	31 March 2012	31 March 2011
	£000	£000
Contracted capital commitments at 31 March not otherwise included in these financial statements:		
Property, plant and equipment	4,481	4,231

19. 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 2012	31 March 2011 (restated)*
	£000	£000
Obligations under operating leases comprise:		
Land:		
No later than one year	12	12
Later than one year and not later than five years	46	46
Later than five years	196	207
	<u>254</u>	<u>265</u>
Buildings:		
No later than one year	461	1,358
Later than one year and not later than five years	1,844	1,844
Later than five years	4,149	4,610
	<u>6,454</u>	<u>7,812</u>

Notes to the Resource Accounts - continued

Other:

No later than one year	77	62
Later than one year and not later than five years	137	213
Later than five years	-	-
	<u>214</u>	<u>275</u>

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

*Commitments have been restated to take account of changes of life of the leases.

20. 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 2011	Increase in year	Liabilities crystallised in year	Obligation expired in year	At 31 March 2012
	£000	£000	£000	£000	£000
Works of Art on loan from various collections	11,403	213	-	-	11,616

21. 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 (2010-11 – nil).

22. Related-party transactions

The House of Lords and the House of Commons share some buildings and services. These include the Palace of Westminster, the Parliamentary Estates Directorate, the Parliamentary 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, Education, Outreach	30%	70%
Broadcasting services	40%	60%

The House of Commons incurred expenditure of £38,672,000 (2010-11 - £42,522,000) on behalf of the House of Lords during 2011-12. At the financial year end the amount relating to accommodation, works and other shared services owed to the House of Lords by the House of Commons was £1,073,000 (2010-11 - £133,000 owed by the House of Lords to the House of Commons). The House of Lords incurred expenditure of £392,000 (2010-11 - £464,000) on behalf of the House of Commons during 2011-12. At the financial year end the amount owed to the House of Lords by the House of Commons was £20,000 (2010-11 - £32,000).

Notes to the Resource Accounts - *continued*

A related party transaction took place during the year between the House of Lords Administration and a staff member who is a close family member of David Beamish, Clerk of the Parliaments and Accounting Officer. The transaction related to salary costs which were paid in accordance with civil service guidelines, applied by analogy. To ensure this relationship was managed objectively, David Beamish had no direct or indirect involvement in determining pay, position or promotion for the individual involved. David Beamish has declared that, if a situation arose in which he, as Accounting Officer, would otherwise be involved in a decision that would directly affect this individual, he would play no role.

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

23. House of Lords Catering and Retail Services Trading Activities

The House of Lords Catering and Retail Services provide a wide range of catering facilities to Members and House of Lords staff. Members may sponsor private functions, and this type of service accounted for 53.7% of sales in 2011-12 (2010-11 – 55.7%).

Catering and Retail Services operates under a policy first agreed between the House of Lords and HM Treasury in 1981. In accordance with this policy, the department is required to trade on the basis of at least 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 2011-12 amounted to £4,539,749 (2010-11 - £4,186,710). Gross profit on sales calculated according to the formula above was 73.2% (2010-11 – 81.8%) and gross profit on all sales was £2,819,398 (2010-11 - £2,680,370).

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

Notes to the Resource Accounts - continued**24. 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.

	2011-12	2010-11
	£000	£000
Opening balance of Fund at 1 April	95	63
Add receipts:		
Grant for Works of Art Collection Fund	25	50
Grant for Millbank House works of art	127	
	247	113
Less: Purchases during the year (see below)	174	18
Closing Balance of Fund as at 31 March	73	95

Purchases during the year (which are included within additions in property, plant and equipment, note 8):

Description	£
Armada Paintings Project <i>Completion of small preparatory canvases by Anthony Oakshett</i>	850
Portrait of Viscountess Rhondda <i>Oil on canvas by Alice Mary Burton</i>	7,500
Commemorative House of Lords centrepiece <i>Sterling silver, designed and fabricated by Brett Payne</i>	25,200
Queen Victoria's Jubilee Procession on Whitehall, June 1887 <i>Watercolour by Robert Weir Allan</i>	5,000
Portrait Bust of HRH Prince Philip <i>Bronze by Rosamund de Tracy Kelly, 2003</i>	8,500
Study of stained glass in the Royal Gallery, 1925-7 <i>Watercolour over pencil by Sir Frank Brangwyn</i>	1,089
Acquisitions for Millbank House	108,740
Commissioned works of art for Millbank House	17,520
Total	174,399

25. Events after the reporting period

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

In the Accounting Officer's opinion there have been no events since 31 March 2012 that would affect the financial statements.

Remuneration Report 2011-12

The Clerk of the Parliaments, David Beamish (since 16 April 2011), is head of the House of Lords Administration. 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 2011-12 members were as follows:

- David Beamish – Clerk of the Parliaments (from 16 April 2011)
- Edward Ollard – Clerk Assistant (from 16 April 2011)
- Rhodri Walters – Reading Clerk
- Lieutenant-General David Leakey CMG CBE – Gentleman Usher of the Black Rod and Serjeant-at-Arms
- Andrew Makower – Finance Director (from 16 April 2011)
- Thomas Mohan – Director of Human Resources (from 31 May 2011)
- Elizabeth Hallam Smith – Director of Information Services and Librarian
- Carl Woodall – Director of Facilities
- Joan Miller – Director of Parliamentary Information Communications and Technology
- Sir Michael Pownall KCB – Clerk of the Parliaments (retired 15 April 2011)
- Philippa Tudor - Finance Director (until 15 April 2011)
- Simon Burton - Director of Human Resources (until 30 May 2011)

The Clerk of the Parliaments was appointed by Her Majesty by Letters Patent for a period of three years. The Clerk of the Parliaments 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. All other staff are appointed and removable by the Clerk of the Parliaments as Corporate Officer of the House of Lords.

Remuneration policy

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

Salary Multiplier

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in the House of Lords Administration in the financial year 2011-12 was £170-175,000 (2010-11: £170-175,000). This was 6.8 times (2010-11: 6.8) the median remuneration of the workforce, which was £25,551 (2010-11, £25,254). In 2011-12, remuneration ranged from £14,790 - £175,000 (2010-11: £14,790 - £175,000).

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Remuneration Report 2011-12 - continued

Salary and pension entitlements

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

	2011-12			2010-11		
	Salary £000	NCPRP £000	Benefits in kind (to nearest £100)	Salary £000	NCPRP £000	Benefits in kind (to nearest £100)
David Beamish <i>Clerk of the Parliaments (from 16 April 2011)</i> <i>Clerk Assistant (until 15 April 2011)</i>	170-175	N/A	-	110-115	0-5	-
Edward Ollard <i>Clerk Assistant (from 16 April 2011)</i>	95-100 (100-105 full year equivalent)	0-5	-	N/A	N/A	N/A
Rhodri Walters <i>Reading Clerk</i>	105-110	0-5	-	105-110	0-5	-
Lieutenant-General David Leakey CMG CBE - <i>Gentleman Usher of the Black Rod (appointed 1</i> <i>February 2011)</i>	85-90	0-5	see below	10-15 (85-90 full year equivalent)	0-5	see below
Thomas Mohan <i>Director of Human Resource (from 31 May 2011)</i>	65-70 (80-85 full year equivalent)	0-5	-	N/A	N/A	N/A
Andrew Makower <i>Finance Director (from 16 April 2011)</i>	75-80 (80-85 full year equivalent)	5-10	-	N/A	N/A	N/A
Elizabeth Hallam Smith <i>Director of Information Services and Librarian</i>	105-110	5-10	-	105-110	0-5	-
Carl Woodall <i>Director of Facilities</i>	95-100	5-10	-	95-100	0-5	-
Joan Miller <i>Director of Parliamentary Information</i> <i>Communications and Technology</i>	100-105	0-5	-	100-105	0-5	-
Sir Michael Pownall KCB <i>Clerk of the Parliaments (retired 15 April 2011)</i>	5-10 (170-175 full year equivalent)	N/A	-	170-175	N/A	-
Lieutenant-General Sir Freddie Viggers KCB CMG MBE <i>Gentleman Usher of the Black Rod (resigned 25</i> <i>October 2010)</i>	N/A	N/A	N/A	65-70 (80-85 full year equivalent)	0-5	see below
Simon Burton <i>Director of Human Resources (until 30 May 2011)</i>	10-15 (70-75 full year equivalent)	0-5	-	70-75	0-5	-
Philippa Tudor <i>Finance Director (until 15 April 2011)</i>	0-5 (85-90 full time equivalent)	0-5	-	85-90	0-5	-
Banding of highest paid individual (Clerk of the Parliaments), £'000	170-175			170-175		
Median Total Remuneration based on full-time equivalent staff, £	25,551			25,254		
Ratio	6.8			6.8		

Figures audited by the National Audit Office

Remuneration Report 2011-12 - continued

a. Salary

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

b. NCPRP

The Non-Consolidated Performance Related Payments (NCPRPs) are based on performance levels attained and are awarded as part of the appraisal process. NCPRPs relate to the year in which they are paid i.e. the NCPRPs reported in 2011-12 relate to performance in 2010-11 and the comparative NCPRPs reported for 2010-11 relate to performance in 2009-10. The Clerk of the Parliaments is not eligible for NCPRPs.

c. Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as taxable emolument. Black Rod occupies a Parliamentary Residence and for 2011-12 the taxable benefit for the residence was £4,754 (2010-11 total £3,416).

d. Director of Parliamentary Information Communications and Technology

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

Pensions

The pension benefits of the Management Board were as follows:

	Accrued pension and related lump sum at 31/3/12 £000	Real increase in pension and related lump sum at 31/3/12 £000	CETV at 31/3/12 £000	CETV at 31/3/11 £000	Real increase/ (decrease) in CETV £000
David Beamish <i>Clerk of the Parliaments (from 16 April 2011)</i> <i>Clerk Assistant (until 15 April 2011)</i>	80-85 <i>Plus lump sum of 240-245</i>	25-27.5 <i>Plus lump sum of 77.5-80</i>	1,831	1,152	580
Edward Ollard <i>Clerk Assistant (from 16 April 2011)</i>	35-40 <i>Plus lump sum of 110-115</i>	2.5-5 <i>Plus lump sum of 7.5-10</i>	679	576	58
Rhodri Walters <i>Reading Clerk</i>	55-60 <i>Plus lump sum of 165-170</i>	(2.5)-0 <i>Plus lump sum of (5)-(2.5)</i>	1,254	1,245	(35)
Lieutenant-General David Leakey CMG CBE - <i>Gentleman Usher of the Black Rod (appointed 1 February 2011)</i>	0-5 <i>Plus lump sum of N/A</i>	2.5-5 <i>Plus lump sum of N/A</i>	42	6	33
Thomas Mohan <i>Director of Human Resource (from 31 May 2011)</i>	25-30 <i>Plus lump sum of 85-90</i>	(2.5)-0 <i>Plus lump sum of (2.5)-0</i>	535	505	(12)
Andrew Makower <i>Finance Director (from 16 April 2011)</i>	25-30 <i>Plus lump sum of 80-85</i>	(2.5)-0 <i>Plus lump sum of (2.5)-0</i>	631	591	(10)
Elizabeth Hallam Smith <i>Director of Information Services and Librarian</i>	40-45 <i>Plus lump sum of 125-130</i>	(2.5)-0 <i>Plus lump sum of (2.5)-0</i>	954	939	(20)
Carl Woodall <i>Director of Facilities</i>	5-10 <i>Plus lump sum of N/A</i>	2.5-5 <i>Plus lump sum of N/A</i>	93	57	22
Joan Miller <i>Director of Parliamentary Information Communications and Technology</i>	10-15 <i>Plus lump sum of 0-5</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	259	230	18
Sir Michael Pownall KCB <i>Clerk of the Parliaments (retired 15 April 2011)</i>	85-90 <i>Plus lump sum of 255-260</i>	(2.5)-0 <i>Plus lump sum of (2.5)-0</i>	1,978	1,976	(2)
Simon Burton <i>Director of Human Resources (until 30 May 2011)</i>	20-25 <i>Plus lump sum of 65-70</i>	(2.5)-0 <i>Plus lump sum of (2.5)-0</i>	344	341	(1)
Philippa Tudor <i>Finance Director (until 15 April 2011)</i>	30-35 <i>Plus lump sum of 95-100</i>	(2.5)-0 <i>Plus lump sum of (2.5)-0</i>	596	595	(1)

Figures audited by the National Audit Office

Remuneration Report 2011-12 - continued

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2012. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum.

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

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

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

Cash Equivalent Transfer Values

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

Real increase in CETV

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

David Beamish

Clerk of the Parliaments and Accounting Officer

11 July 2012