



HOUSE OF LORDS

Resource Accounts 2013/14

Published by the Authority of the House of Lords

London: The Stationery Office Limited

£10.00

HL Paper 24

Ordered to be printed 14 July 2014

Contents

	Page
Foreword to the Resource Accounts	3
Statement of Accounting Officer's Responsibilities	9
Governance Statement	10
The Certificate and Report of the Comptroller and Auditor General	20
Statement of Parliamentary Supply	22
Notes to the Statement of Parliamentary Supply	23
Statement of Comprehensive Net Expenditure	26
Statement of Financial Position	27
Statement of Cash Flows	28
Statement of Changes in Taxpayers' Equity	29
Notes to the Accounts	30
Remuneration Report	55

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 2014. The House of Lords is funded by Supply Estimates, the means by which public expenditure is authorised and voted by Parliament. 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.

Strategic Report

The Resource Accounts and other corporate publications

The Resource Accounts should be read in conjunction with the *Annual Report of the Administration* which contains further details on the activities of the House of Lords during 2013-14. The Annual Report includes information relating to the implementation of the business plan, the Audit Committee Annual Report for 2013-14, the Sustainability Report, information on House of Lords staff, and performance and activity indicators.

The *House of Lords Business Plan 2013/14* (HL Paper 149) was published in March 2013. It included the Administration's Strategic Plan for 2011-15 and the business and spending plans for 2013-14 onwards. The *House of Lords Business Plan 2014/15* (HL Paper 140) was published in February 2014. It included the new five-year Strategy for the Administration agreed by the House Committee in

July 2013 and the detailed business plan for 2014-15 to 2016-17. All of the above House of Lords publications are available via the Parliamentary website.¹

Management Commentary and Financial Review

The 2013-14 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 subject to a savings strategy agreed by the House Committee in 2010 as a response to the public savings challenge: “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, equating to a revised baseline of £113m for 2013-14. Disregarding exceptional and technical accounting adjustments, the Administration was within the revised baseline.

<i>Table 1 - Resource costs compared to revised baseline</i>	2013-14 Outturn £m	2012-13 Outturn £m
Net operating costs	93.1	87.6
Technical accounting adjustments		
Property revaluation (loss)/gain	(1.0)	3.7
Underlying Resource expenditure before technical accounting adjustments	92.1	91.3
Resource baseline (revised)	113.0	111.0

Consumer Price Index for year ending September 2012 – 2.2%

The 2013-14 annual valuation of the Parliamentary Estate resulted in a net gain on revaluation of property, plant and equipment of £8.4m. A loss on the valuation of £1.0m was charged to net operating costs, and a gain on revaluation of land and buildings was credited to the revaluation reserve by £9.4m.

The resource outturn in 2012-13 included an accounting adjustment of £4.0m relating to the annual revaluation of the Parliamentary Estate. The gain on the valuation of freehold land credited operating costs by £3.7m, the net gain of revaluation of land and buildings other than freehold land credited the revaluation reserve by £0.3m.

¹ <http://www.parliament.uk/business/lords/house-lords-administration/how-the-lords-is-run/business-and-financial-information/>

Comparison of the 2013-14 outturn with the 2013-14 Estimate

The elements of Parliamentary Supply Estimates are resource and capital Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). For the House of Lords in 2013-14 Parliament voted limits on:

- the net resource 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 2013-14 was £93.1m, recognising a £6.3m underspend against the revised Estimate of £99.4m, which included the Supplementary Estimate.

<i>Table 2 – Estimate against outturn</i>	2013-14	2013-14	Underspend	
	Estimate £m	Outturn £m	£m	%
Resource DEL	91.6	87.6	4.0	4.4
Resource AME	7.8	5.5	2.3	29.5
Net resource requirement	99.4	93.1	6.3	6.3
Capital DEL expenditure	15.6	11.8	3.8	24.4
Net cash requirement	99.7	90.7	9.0	9.0

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

- Resource DEL
 - Unutilised amounts in centrally held funds, including some reserve budgets, contributed £3.3m to the under spend
 - Members' Finance was £0.2m less than forecast due to fewer sitting days than anticipated
 - Spend on IT related projects and Parliamentary ICT (PICT) services was underspent by £0.3m mostly through project budgets not being required and savings in PICT expenditure
 - Estates operational costs were under budget by £0.2m
- Resource AME
 - The £2.3m variance against estimate was due to £4.0m of a budgeted provision and related costs in regards to the Parliamentary Estate not being required, netted off against a £2.0m underestimate on the revaluation of the Parliamentary Estate.
- Capital expenditure
 - £3.4m of the capital underspend was largely due to delays and re-prioritisations of Estates projects including Fire Safety, Mechanical & Electrical, and the Education Centre.
 - The remaining £0.4m underspend was primarily caused by delay to the Broadcasting programme.

Cash

A net cash requirement of £90.7m was achieved against the Estimate limit of £99.7m. The underspend of £9.0m comprises the capital underspend of £3.8m, the cash equivalent resource underspend of £4.3m and movements in working capital at the year end of £0.9m.

Net Assets

Net assets employed by the House of Lords decreased by £1.2m to £324.0m. The decrease is a result of an increase in non-current assets of £13.6m, and an increase in non-current liabilities, including the pension provision, of £14.2m and a decrease in working capital of £0.6m.

House of Lords Estimate

The House of Lords is funded by Supply Estimates, the means by which authority is sought from Parliament for spending. The House of Lords budget for 2014-15 was agreed by the House Committee in December 2013. The Vote on Account, which provides authority for spending on continuing services until the legislation authorising the Main Estimates obtains Royal Assent, was published in February 2014. The Main Estimate is normally authorised by Parliament in July, when the Appropriation Act is passed.

Important events which have occurred since the financial year end

Intelligence and Security Committee of Parliament

The Justice and Security Act 2013 received Royal Assent on 25 April 2013. The Intelligence and Security Committee (ISC) was established by the Intelligence Services Act 1994 to examine the policy, administration and expenditure of the Security Service, the Secret Intelligence Service and the Government Communications Headquarters. The Prime Minister appoints the members after considering nominations from Parliament and consulting the Leader of the Opposition. The Committee reports directly to the Prime Minister, and through him to Parliament by the publication of the Committee's reports. The Justice and Security Act changed the existing Intelligence and Security Committee into the Intelligence and Security Committee of Parliament (ISCP) and it was agreed in principle by the House Committee that certain elements of its cost be funded by Parliament. The intention was for the Houses of Parliament to jointly fund certain elements of the ISCP from April 2014. Discussions between the ISCP, the two Houses of Parliament, the Cabinet Office and the Foreign and Commonwealth Office meant that this was delayed and the new funding arrangements for the ISCP have yet to commence.

Management

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. Throughout 2013-14 David Beamish was Clerk of the Parliaments. Details of his remuneration and the remuneration of the Management Board of the House of Lords are contained in the Remuneration Report (see page 55).

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 as Lords Office Holders – 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 2014 the annual amounts were as follows:

Lord Speaker	£101,038
Chairman of Committees	£84,524
Principal Deputy Chairman of Committees	£79,076

Lords Office Holders are also entitled to claim the Lords Office Holders Allowance of £36,366 if their main home is outside London; if their main home is in London they may claim the allowance at the reduced rate of £3,760. Lords Office Holders can also join the Parliamentary Contributory Pension Fund which is a statutory, defined benefit pension scheme that operates on a funded basis.

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 13.1).

Public Interest and Other

Staff Issues

The Clerk of the Parliaments attaches 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.

Equal Opportunities, Diversity and Disability

House of Lords policy is that staff shall have equality of opportunity for employment and advancement on the basis of their ability, qualifications and suitability for work with 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. The terms and conditions of staff are kept under review by the Human Resources Office to ensure that they do not discriminate against any particular group or individual. Equal opportunities and diversity training are compulsory for all staff.

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 2013-14 has been based on continuous monitoring of payments throughout the year and 96.4% (2012-13 96.6%) of payments made by the House of Lords met the policy criteria.

Tax Arrangements of Public Appointees

In May 2012 the Treasury published *Review of the Tax Arrangements of Public Sector Appointees*, and in August the Cabinet Office published the Procurement Policy Note *Tax Arrangements of Public Appointees*. All House of Lords Administration staff are paid via the payroll. On occasion the Administration engages certain individuals on an ad hoc or daily rate basis; examples would include ad hoc specific consultancy, and most specialist advisers to Select Committees.

The House of Lords Administration identifies individuals engaged through off-payroll arrangements, where the daily rate exceeds £220 and the duration of the arrangement exceeds six months, and their employment status. Where appropriate assurances are sought that they are fulfilling their tax obligations etc. in relation to their work for the House. Provisions entitling the Administration to seek such assurances are included in standard terms and conditions and are invoked as required.

PICT is a joint department of the House of Commons and House of Lords. Its costs, and the majority of its contracts, are shared jointly between the two Houses. In line with the above approach, during 2013-14 assurances were sought from relevant contractors engaged by PICT and seven contracts were terminated as a result of appropriate assurances not being received.

Auditor

The Comptroller and Auditor General is the external auditor for the House of Lords. The notional audit fee for 2013-14 was £80,000 (2012-13 – £80,000). 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

10 July 2014

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, which is the *Government Financial Reporting Manual* issued by HM Treasury applied by analogy, 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 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 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.

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. The Chairman of Committees, Lord Sewel, 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 Report² was published in July 2013 and assesses the achievement of the objectives in the 2012-13 Business Plan. The Business Plan for 2013-14 was published in April 2013³ and the Annual Report for 2013-14 will be published in July 2014.

The main strategic developments in the 2012-13 Annual Report related to:

- Accommodation and works, in particular the publication of a report by officials outlining options for the essential refurbishment of the Palace of Westminster, as agreed by the House Committee and House of Commons Commission in October 2012, while instructing officials to conduct further work on those options at the same time as continuing the five-year programme of "aggressive maintenance" and the replacement of the cast iron roofs on the South Return;
- Delivering the savings target, including adherence to the target agreed in December 2010 not to increase resource costs in real terms, despite the increased size of the House. This was achieved with the maintenance of the resource budget for 2012-13 at £102m, the same in cash terms as the budget set in October 2009 for 2010-11, despite average attendance having risen by 23% and the reopening of Millbank House during the period;
- ICT services, including the decision by the two Management Boards to adopt a "cloud first" policy for Parliament which, subject to due regard for information security considerations, means that wherever practical "cloud" solutions will in future be adopted for parliamentary ICT applications;

² <http://www.publications.parliament.uk/pa/ld201314/ldbrieff/45/45.pdf>

³ <http://www.publications.parliament.uk/pa/ld201213/ldselect/ldb/plan/149/149.pdf>

- Reform and composition, including the Government's withdrawal of the House of Lords Reform Bill in September 2012, following which the Administration has planned on the assumption that the current system of nomination will continue and that the size of the House will not be reduced in the foreseeable future.

The House Committee met 10 times during 2013-14. Further details of the work of the House Committee, including minutes, agendas and attendance, are published on the Parliamentary website.⁴

Audit Committee

The Audit Committee is appointed by the House Committee. Its membership includes five members of the House 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 effectiveness of internal controls. The Committee also provides advice on risk management, financial good practice, value for money 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 and external audit work considered by the Committee.

The Committee met four times in 2013-14 (in April, July and October 2013 and January 2014) and met jointly with the House of Commons Administration Estimate Audit Committee twice (in July 2013 and January 2014). 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.⁵ The Finance Director and/or his deputy (the Head of Finance), the Head of Internal Audit, the National Audit Office as external auditors, and I attend all Committee meetings.

In July 2013 Lord MacGregor of Pulham Market's membership of the Committee came to an end. He was replaced on the Committee by Lord Carter of Coles and as Chairman by Lord Turnbull, who was an existing member of the Committee. Details of the remuneration of the external members of the Audit Committee, Ian Luder and Liz Hewitt, are in the Audit Committee's Annual Report and their biographies are also available on the website.

The NAO facilitated a self-assessment by the Committee of its effectiveness at the meeting on 7 April 2014. The undertaking of periodic effectiveness reviews by audit committees represents best practice in the private and public sectors and it is the Committee's intention to conduct an external review of its effectiveness in due course.

Management Board

The House of Lords Management Board provides collective leadership and takes strategic and corporate decisions for the House Administration within the policy and financial framework set by the House Committee. The Board is chaired by me and meets regularly during the year, usually 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, Ian Luder, attends all meetings of the Board. This further enhances the advice and support provided by the Board to me on the operation of the systems of corporate governance. Ian's membership of the Audit Committee will finish at the end of 2014 and it is expected that Liz Hewitt will begin attending Board meetings from June 2014 in order to provide continuity ahead of his departure.

⁴ <http://www.parliament.uk/business/committees/committees-a-z/lords-select/house-committee/>

⁵ <http://www.parliament.uk/business/committees/committees-a-z/other-committees/house-of-lords-audit/>

The Board is supported by other Boards and groups. The bicameral Parliamentary Estates 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 bicameral PICT Advisory Board provides advice on the strategic management and prioritisation of the work of the Parliamentary ICT service and of ICT-related projects and programmes. The membership of both boards includes representatives from the Management Board. In November 2013 the Management Board agreed jointly with the House of Commons Management Board a Medium-Term Investment Plan for expenditure on ICT and Estates projects, covering the financial years 2015-16 to 2018-19. This is the third Medium-Term Investment Plan agreed by the two Boards and is intended to improve joint planning of investment in Parliament's infrastructure and service improvement, including prioritisation between portfolios.

The Parliamentary Security Director (PSD), Paul Martin, is responsible for the strategy, planning and overall delivery of security across the whole Parliamentary Estate. The PSD chairs the bicameral Parliamentary Security Board, of which Black Rod (a Management Board member) is a member, and attends Board meetings at least twice a year. The Board considered the findings of the 2013-14 Review of Parliamentary Security in April 2014. The Board considered the 2014-19 Strategic Plan for Parliamentary Security in July 2014.

The Management Board considers a number of regular items at its meetings including the corporate risk register (reviewed monthly), 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 17 times during 2013-14, including one awayday, one joint meeting and one joint awayday with the House of Commons Management Board, and one meeting to discuss a review of its effectiveness, facilitated by the National Audit Office (NAO) (see below). The attendance record of individual Board members is shown below. Simon Burton was appointed as the new Reading Clerk following the retirement of Rhodri Walters at the end of February 2014.

Board member	Meetings attended (/ total possible if not all 17 meetings)
David Beamish (Clerk of the Parliaments and Chairman)	17
Elizabeth Hallam Smith (Information Services)	17
David Leakey (Black Rod)	15
Andrew Makower (Finance)	17
Joan Miller (Parliamentary ICT)	17
Tom Mohan (Human Resources)	16
Edward Ollard (Parliamentary Services)	17
Rhodri Walters (Corporate Services)	16/16 (Attended Board meetings until February 2014)
Simon Burton (Corporate Services)	1/1 (Attended Board meetings from March 2014)
Carl Woodall (Facilities)	17
In attendance	
Ian Luder (Audit Committee external member)	10

Strategy formulation

The Board set out its long-term strategy in the new Strategy for the Administration 2014–19, which was agreed by the House Committee in June 2013.⁶ This will be supplemented by the annual Business Plan which is prepared before the beginning of each financial year. The Strategy sets out

⁶ <http://www.parliament.uk/documents/lords-information-office/2013/House-of-Lords-Strategic-Plan-2014-19.pdf>

the priorities for the Administration until 2019, which are aligned with the objectives of the Administration. The annual Business Plan is informed by the Strategy 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 Strategy, Business Plan and Annual Report are approved by the House Committee.

The House Committee's role in strategy formulation was extended by giving the Committee an opportunity in July 2013, at the start of the 2014-15 business and financial planning cycle, to express its view both on the Strategy for the Administration 2014–19 and on its priorities for the coming year. This was then fed into business and financial planning at office level through each office's business plan. The House Committee then agreed the 2014-15 Business Plan having had an input into the business planning process from the start, enabling it to carry out its strategic functions more effectively.

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. Financial data was presented alongside performance data from 2013-14 quarter 2, in order to provide the Board with greater oversight of the impact of budgets on performance in different areas of the Administration.

The Board's use of the performance report continues to develop as the data collected become more reliable and trends are more visible. The data collected and the performance measurements were reviewed at the end of the financial year. From the beginning of 2014-15 the format of the reports reflected the outcome of this review, as well as being altered to reflect the objectives in the Strategy for the Administration 2014–19. It also took account of changes suggested by a separate Internal Audit report on the performance management framework that was considered by the Audit Committee in January 2014.

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 review was completed in December 2013 and facilitated by the NAO, based upon two questionnaires completed by Board members and members of senior management. The NAO's findings and analysis were discussed by a special meeting of the Board on 16 December 2013. Following this meeting, further analysis produced by the NAO was discussed by a senior management meeting on 28 January 2014 and by the Board on 3 February 2014.

The first review of Board sub-groups took place in November 2013 and ensured, in part, that accurate data was held on all the sub-groups, as well as agreeing to change the name of some sub-groups in order to improve the coherence of nomenclature. The Board agreed guidance on the establishment of Board sub-groups to ensure they remain relevant and continue to assist the Board in its work.

In recent years the Management Board has held one annual joint meeting with the House of Commons Management Board, usually toward the end of the year, to discuss areas of common

concern including the Medium-Term Investment Plan. Because of the importance that both Management Boards place on joint working it is intended that two annual joint meetings will now take place, beginning this year with a meeting on 16 May 2014 and a second meeting scheduled to take place in November 2014. It is also intended that the joint awayday, which was held with the House of Commons Management Board in February 2014, will become an annual event.

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

The Internal Audit section carried out a review of the Administration's performance against the Treasury Code of Good Practice for Corporate Governance in Central Government Departments, which 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 report provided substantial assurance on the strength of current governance arrangements and also made several recommendations for change. A follow-up Internal Audit report was considered by the Management Board and by the Audit Committee in April 2014.

The following changes have been made as a result of the review:

- Letters of Delegation from the Clerk of the Parliaments to Board members, as well as a joint letter from the Clerks to the Parliamentary Security Director, were introduced in June 2014;
- The Management Board agreed a Board Operating Framework as part of a broader Management Board handbook setting out the role and working practices of the Board;
- The Board agreed a process for reviewing the Resource Accounts before their consideration by the Audit Committee;
- The level of remuneration paid to the external members of the Audit Committee was reduced to bring it into line with the rate paid by the House of Commons to its external members; and
- In response to the review's suggestion that the Chairman of the Audit Committee should become a member of the House Committee it was agreed that the Chairman, rather than becoming a member of the House Committee, would have a right of attendance at House Committee meetings, particularly when matters of interest to the Audit Committee featured on the agenda.

Risk and Control Framework

Assurance Framework

As Accounting Officer I receive assurance on the effectiveness of internal controls from three internal sources: the Internal Audit team; senior managers within the Administration; and the Audit Committee; and external sources, including the National Audit Office and the House of Commons. The role of the Audit Committee is set out in detail above.

Internal Audit

The Internal Audit section operates to public sector 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 operations within the Lords Administration and in shared services areas. 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 provides me with an annual opinion on the strength of arrangements for governance, risk management and internal control. The Head of

Internal Audit provided substantial assurance on the overall adequacy and effectiveness of these arrangements for 2013-14. However, in doing so he also expressed some concern about the possibility of underlying control issues within the Parliamentary Estates Directorate. A number of separate audit reviews in this area have provided lower levels of assurance or raised issues assessed as fundamental. The development of a structured audit strategy for Estates activity has been agreed, and the situation will be closely monitored going forward.

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 on 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, including plans to address these issues. The issues raised in the 2013-14 round of second-tier statements were already known to me and included lack of assurance that all third-party spend is through compliant contracts, and qualified assurance from the Director of Information Services regarding the Web and Intranet Service (WIS), in relation to which it was not possible to agree on priorities and costs of 2013-14 with respect to the House of Lords contribution to its budget. A strategic review of WIS was commissioned by the Clerks of the two Houses in 2013 and its recommendations are now being considered.

During the 2013-14 round a challenge process was implemented for second-tier statements where I asked for managers to provide more details where initial statements were unclear. This proved to be a useful process in ensuring that I am fully informed of any issues at office level and the process became permanent this year, with the intention of refining it in future years.

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 of the House of Commons regarding the adequacy of the accounting systems used to determine this information;
- Charges under the Metropolitan Police Service Special Services Agreement include direct and indirect costs, and an apportionment of Metropolitan Police overheads. I have obtained written assurance from the Metropolitan Police concerning the probity of these charges. From April 2015, new contractual arrangements for security will be in place with both the MPS and, it is proposed, a new specialist provider of search and screening. The Security Arrangements Renewal Programme (SARP) which is managing the transition to the new arrangements will review and implement appropriate charging mechanisms and assurance processes with both providers;
- 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 the main opposition party 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 PSD. 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 on 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.

Newly identified risks

The Management Board last reviewed the Administration's corporate risks as a whole in 2011-12. The next review of all corporate risks took place at the end of 2013-14, which was conducted by the Business Planning Group, and any changes will take effect during 2014-15.

One change to the corporate risks was agreed during 2013-14 by the Board. The finance risk was updated to include a reference to procurement, in the light of the House's new responsibility for procurement for both Houses (see below).

Offices have also identified operational risks in Office risk registers. The Business Planning Group and the Management Board have been actively encouraging further engagement between corporate risk owners and senior managers reporting on risks in Offices.

Cyber-security risk received more emphasis in the corporate risk register, following a comprehensive review of the security risk entry by the Parliamentary Security Director.

Risk profile

In recent years, the infrastructure of the parliamentary estate has been 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 when it was first assessed in 2009. The Board agreed to treat the risk and, after two years with the risk remaining at red, 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 and in 2012 the risk again rose to red because of a shortage of project managers within the Parliamentary Estates Directorate. The Board agreed to treat this risk and, following the recruitment of more project managers, the risk returned to amber in autumn 2013. However, the score returned to red in June 2014 due to delays with Construction (Design and Management) Regulations controls.

The reputation risk was raised from amber to red toward the end of 2013, reflecting adverse media coverage on several fronts. This included allowance claims made by Members previously convicted of a crime; some individual Members' lobbying activities; and criticism from some quarters about increases in the size of the House. The Administration continues to take mitigating action where feasible, and works with the relevant domestic committees, where appropriate, to develop initiatives which might tackle such issues. On 16 January 2014 the House endorsed a report by the House Committee which proposed that the Committee for Privileges and Conduct be granted new sanctions to deny access for a specified period to the system of financial support for Members and to the facilities of the House, to be used should the Committee choose to, when a Member of the

House was found to be in breach of the Code of Conduct. The enactment in May 2014 of the House of Lords Reform Act 2014 is also significant in this regard. It makes provision for Members to resign and to expel Members from the House in certain circumstances, including non-attendance for a specified period of time and those convicted of a criminal offence resulting in imprisonment for more than a year. Following the 2014 Act on 15 June the House agreed amendments to the Code of Conduct which, among other things, clarified the rules on lobbying and introduced procedures making it a breach of the Code by a Member if they are sentenced to a term of imprisonment of up to and including a year. In May 2014 the risk returned to amber.

Risk appetite

The Board has agreed a risk appetite and target risk for all corporate risks which are reviewed when the Board considers the relevant corporate risk reports. The agreed risk appetites and target risks are set out in the corporate risk register, which is updated for each Board meeting.

Information Risk

Failure to manage information securely has been identified as a key area of risk in recent years and is designated as a corporate risk. The Reading Clerk has delegated responsibilities as Senior Information Risk Owner (SIRO) for mitigating the Administration's exposure to this risk and is the nominated risk owner on the Management Board. He is also the joint chair of the Data Security Group (DSG) which focuses on the mitigation of this risk on a bicameral basis.

All House of Lords Offices must ensure that information is handled appropriately and assurance statements were received from each office and PICT. Information loss reports were also received together with figures for the number of mobile devices with access to parliamentary information approved for use by staff. Information loss reports are monitored, particularly any relating to personal data or that which is otherwise sensitive. Offices reported no such cases of information loss over this period.

Five key areas of information risk have been identified:

- Identification and control of sensitive information assets;
- Information loss or misuse;
- The use of mobile devices, particularly tablets, both PICT-supplied and personally owned if synchronised to the Parliamentary network;
- Adoption of cloud solutions without appropriate accreditation and governance processes being in place;
- Social media.

Registers of sensitive information assets are maintained by each office. These detail the sensitive information held, the manner in which this is stored, the measures in place to secure it from unwarranted access and the way in which it is shared with external organisations. Resources have been made available and staff recruited within PICT to identify Information Asset Owners. This project will be undertaken for both Houses over a period of eighteen months.

Increasing awareness of the need to report the loss or misuse of information remains an area for development. Encouraging staff to report such incidents will help us to identify key risk areas and apply appropriate controls and policies to mitigate them.

Increased use of mobile devices, including personally owned ones, used to access parliamentary email and documents presents an ever increasing challenge. In July 2013 a hold was placed upon new connections of personal smartphones and tablets to prevent a further increase in use until

significant concerns were investigated and reviewed. The review was completed in May 2014 and concluded, among other things, that user awareness and training were key to risk mitigation. A number of actions are now being taken forward, including the development of mobile device guidance and remote working/acceptable use policy.

An accreditation process has been adopted for cloud-based solutions. All cloud solutions must be accredited (subject to a security assessment) before they can be used to host parliamentary information. The rigour of the assessment depends upon the sensitivity of the information to be processed and/or stored in the cloud solution. All accreditation decisions are the responsibility of the Accreditation Board made up of the SIROs from each House, the Parliamentary Security Director and the Director of PICT. Each representative has particular responsibilities for managing different aspects of information risk management.

Risks presented by the use of social media are covered in the Civil Service e-learning modules available to staff and in information security training sessions available to individual offices upon request. This remains an area for development and a bicameral policy owned by the Departments for Information Services is a key initiative for the year ahead.

In addition to his involvement in the accreditation and governance process, the external Information Assurance Accreditor has produced a risk ownership paper and provided advice in relation to a number of specific projects.

Restoration and renewal of the Palace of Westminster

In October 2012, the House of Commons Commission and House Committee considered the report of the study group appointed to examine options for the essential refurbishment of the Palace of Westminster.⁷ The Commission and House Committee agreed not to consider the options to do nothing or to move Parliament to a new location. The two Committees also agreed that an independently produced costed options appraisal of three high-level options for restoration and renewal of the Palace should be produced. A consortium led by Deloitte Real Estate was appointed to undertake this appraisal in December 2013. The Administration continues to support the work on the options appraisal. Once the report is considered by the House Committee and Commission, the Administration will implement any recommendations as appropriate. A decision on the options will not be taken until after the 2015 General Election.

Business Resilience

Business resilience across Parliament, which is monitored by the bicameral Business Resilience Group (BRG), was strengthened during 2013/14 by the following measures, among others:

- The alignment of Parliament's business resilience plans with the British Standard Business Continuity Management benchmark and an external audit by the British Standards Institution.
- The agreement of a revised business resilience policy by the Management Boards of both Houses in December 2013.
- Quality assurance reviews of all departmental/office business continuity plans in November 2013.
- The substantial revision of the Incident Management Framework, including the training and recruitment of further staff and lessons learned from particular incidents.
- The agreement of a Relocation Contingencies Programme by the Clerk of the Parliaments and the Clerk of the House of Commons in May 2014.

⁷ <http://www.parliament.uk/documents/commons-commission/PED-Modernisation-Report-Oct12.pdf>

Health and safety

The Parliamentary Safety Assurance Committee (PSAC) provides the strategic direction on Health and Safety issues (fire, food and general safety) for both Houses. It also provides the Commons and Lords Management Boards with assurance that there are adequate arrangements in place to discharge their responsibilities. In June 2014 it provided assurance reports for 2013-14 from all Offices across the Administration, which can be summarised as follows:

- The Fire Safety Manager, as Competent Person, confirmed to the bicameral Fire Safety Committee that, while the fire safety risks presented by buildings across the Parliamentary Estate were high, Parliament was in compliance with the Regulatory Reform Order.
- The food safety report gave substantial assurance.
- The general safety report gave moderate assurance and in response PSAC has set goals to achieve a “substantial” rating in the 2014/15 reports in both Houses.

Unified procurement function

The Clerks of the two Houses agreed in July 2013 to establish a unified Parliamentary Procurement function. The Parliamentary Procurement and Commercial Service, which launched on 1 April 2014, provides a service for both Houses and PICT, and is being hosted by the Lords. The expected benefits include increased capacity, increased customer satisfaction, improved value for money from contracts and from the procurement function itself, and improved compliance and consistency.

Transfer of responsibility for the House of Lords security budget to the Parliamentary Security Director

At the end of the 2013-14 financial year it was agreed that the share of the House of Lords budget concerning security, which was previously managed by Black Rod, should be transferred to the Parliamentary Security Director (who already managed the Commons security budget) in order to achieve alignment in the operational and financial responsibility for the security budget. While the Parliamentary Security Director is line managed jointly by myself and the Clerk of the House, because he is a House of Commons official this will involve expenditure reported in the House of Lords accounts being authorised by an official not employed by the House of Lords. This has been addressed by ensuring that there are appropriate oversight arrangements in place, which are set out in a budget delegation letter from the Clerk of the Parliaments to the Parliamentary Security Director.

David Beamish

Clerk of the Parliaments and Accounting Officer

10 July 2014

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 2014. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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 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 2014, 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 2014 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.

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

10 July 2014

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2013-14

	SOPS Note	2013-14 £000			2012-13 £000				
		Estimate		Total	Outturn		Total		
		Voted	Non-Voted		Voted	Non-Voted			
							Voted outturn compared with Estimate: saving/(excess)		
Department Expenditure Limit									
- Resource	2.1	91,559	-	91,559	87,619	-	87,619	3,940	86,934
- Capital	2.2	15,579	-	15,579	11,809	-	11,809	3,770	8,210
Annually Managed Expenditure									
- Resource	2.1	7,825	-	7,825	5,440	-	5,440	2,385	966
- Capital		-	-	-	-	-	-	-	-
Total Budget		114,963	-	114,963	104,868	-	104,868	10,095	96,110
Non-Budget									
- Resource		-	-	-	-	-	-	-	-
Total		114,963	-	114,963	104,868	-	104,868	10,095	96,110
Total Resource	2.1	99,384	-	99,384	93,059	-	93,059	6,325	87,900
Total Capital	2.2	15,579	-	15,579	11,809	-	11,809	3,770	8,210
Total		114,963	-	114,963	104,868	-	104,868	10,095	96,110

Net cash requirement 2013-14

	SOPS Note	2013-14 £000		Net Total outturn compared with Estimate: saving/(excess)	2012-13 £000
		Estimate	Outturn		Outturn
Net cash requirement	4	99,652	90,665	8,987	80,976

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 totals subject to Parliamentary control.

Explanations of variances between Estimate and outturn are given in the Foreword to the Resource Accounts.

The notes on pages 23 to 25 support this statement.

Notes to the Resource Accounts (Statement of Parliamentary Supply)

SOPSI. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the *House of Lords' Financial Reporting Manual*, which is the 2013-14 *Government Financial Reporting Manual (FReM)* issued by HM Treasury applied by analogy. In addition to the primary statements prepared under IFRS, the *FReM* 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, net capital outturn and the net cash requirement. The Statement of Parliamentary Supply accounting policies contained in the *FReM* are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPSI.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

SOPSI.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences.

SOPS 1.2.1 PFI and other Service Concession arrangements

The National Accounts basis for recognising service concession arrangements is broadly similar to UK-GAAP, applying a risk-based test to determine the financial reporting. IFRS-based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can result in a different on/off balance sheet treatment.

SOPS 1.2.2 Provisions - Programme expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for National Accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure.

SOPS 1.2.3 Capital receipts

Income in relation to capital receipts are not recognised as income for National Accounts purposes, the income is however recognised within the Statement of Comprehensive Net Expenditure.

Notes to the Resource Accounts (Statement of Parliamentary Supply) – continued**SOPS2. Net Outturn****SOPS2.1 Analysis of net resource outturn by section**

				2013-14 £000	2012-13 £000
				Estimate	Outturn
				Net Total outturn compared with Estimate	Total
	Gross	Income	Net Total	Net Total	
Spending in Departmental Expenditure Limit					
Voted:					
Administration	71,988	(5,423)	66,565	69,657	3,092
Works Services	22,493	(1,439)	21,054	21,902	848
Annually Managed Expenditure					
Voted:					
Administration	5,440	-	5,440	7,825	2,385
Total	99,921	(6,862)	93,059	99,384	6,325

SOPS2.2 Analysis of net capital outturn by section

				2013-14 £000	2012-13 £000
				Estimate	Outturn
				Net Total outturn compared with Estimate	Total
	Gross	Income	Net Total	Net Total	
Spending in Departmental Expenditure Limit					
Voted:					
Administration	998	(40)	958	1,479	521
Works Services	10,851	-	10,851	14,100	3,249
Annually Managed Expenditure					
Voted:					
Administration	-	-	-	-	-
Total	11,849	(40)	11,809	15,579	3,770

Notes to the Resource Accounts (Statement of Parliamentary Supply) – continued**SOPS3. Reconciliation of Net Resource Outturn to Net Operating Cost**

	31 March 2014 £000	31 March 2013 £000
Total resource outturn in Statement of Parliamentary Supply	93,059	87,900
Less: Capital income	-	(253)
Net Operating Cost in the Statement of Comprehensive Net Expenditure	93,059	87,647

SOPS4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/(excess) £000
Resource Outturn	99,384	93,059	6,325
Capital Outturn	15,579	11,809	3,770
Accruals to cash adjustments:			
<i>Adjustments to remove non-cash items:</i>			
Depreciation	(6,185)	(6,609)	424
New provisions and adjustments to previous provisions	(13,080)	(5,440)	(7,640)
Other non-cash items	(90)	(144)	54
<i>Adjustments to reflect movements in working balances:</i>			
Increase/(decrease) in inventories	15	(28)	43
Increase/(decrease) in trade and other receivables	300	511	(211)
(Increase)/decrease in trade and other payables	350	(1,039)	1,389
Movement in provisions	3,379	(1,181)	4,560
<i>Adjustment to remove the net book value on disposals</i>			
Net book value of the disposal of property, plant and equipment	-	40	(40)
Capital element of the payment in respect of on-balance sheet (SoFP) service concession contracts	-	(313)	313
Net Cash requirement	99,652	90,665	8,987

Financial Statements

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
Programme Costs			
Staff costs	3	24,619	24,293
Other costs	4	75,302	71,195
Income	5	(6,862)	(7,841)
Net Operating Costs		93,059	87,647
Total Expenditure		99,921	95,488
Total Income		(6,862)	(7,841)
Net Operating Costs		93,059	87,647
 Other Comprehensive Net Expenditure			
Net gain on revaluation of Property, Plant and Equipment	4, 6	(9,417)	(302)
Net loss/ (gain) on pension liabilities due to changes in actuarial assumptions	13.1	8,340	(205)
Total Comprehensive Expenditure		91,982	87,140

The notes on pages 30 to 54 form part of these accounts.

Statement of Financial Position

as at 31 March 2014

		31 March 2014		31 March 2013	
		£000	£000	£000	£000
	Note				
Non-current assets:					
Property, plant and equipment	6	454,436		440,784	
Intangible assets	7	172		212	
Total non-current assets:			454,608		440,996
Current assets:					
Inventories		182		210	
Trade and other receivables	10	1,544		1,033	
Cash and cash equivalents	11	262		1,724	
Total current assets:			1,988		2,967
Total assets:			456,596		443,963
Current liabilities:					
Trade and other payables	12	(9,935)		(10,287)	
Total current liabilities			(9,935)		(10,287)
Non-current assets plus net current assets			446,661		433,676
Non-current liabilities:					
Other payables	12	(242)		-	
Provisions	13.1, 13.2	(122,376)		(108,396)	
Total non-current liabilities			(122,618)		(108,396)
Assets less liabilities			324,043		325,280
Taxpayers' equity:					
General Fund		209,312		218,749	
Revaluation Reserve		114,731		106,531	
Total taxpayers' equity			324,043		325,280

David Beamish
Clerk of the Parliaments and Accounting Officer
10 July 2014

The notes on pages 30 to 54 form part of these accounts.

Statement of Cash Flows

for year ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
Cash flows from operating activities			
Net operating cost		(93,059)	(87,647)
Adjustments for non-cash transactions	4	12,193	9,037
(Increase)/Decrease in trade receivables and other assets	10	(511)	2,112
(Increase)/Decrease in inventories		28	(13)
Increase/(Decrease) in trade payables and other liabilities	12	1,352	3,239
Less movement in payables not via OCS		(313)	-
Movement in provisions		1,181	1,907
Net cash outflow from operating activities		(79,129)	(71,365)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(11,824)	(10,185)
Purchase of intangible assets	7	(25)	(128)
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) Service Concession contracts		313	-
Proceeds from the disposal of property, plant and equipment		-	702
Net cash outflow from investing activities		(11,536)	(9,611)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		89,203	82,441
Net financing		89,203	82,441
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		(1,462)	1,465
Payments of amounts due to the Consolidated Fund		-	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund			
		(1,462)	1,465
Cash and cash equivalents at the beginning of the period	11	1,724	259
Cash and cash equivalents at the end of the period	11	262	1,724

The notes on pages 30 to 54 form part of these accounts.

Statement of Changes in Taxpayers' Equity

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2012		223,890	107,474	331,364
Net Parliamentary Funding – drawn down		82,441	-	82,441
Net Parliamentary Funding – deemed		259	-	259
Supply payable adjustment		(1,724)	-	(1,724)
Comprehensive Net Expenditure for the Year		(87,647)	-	(87,647)
Non-Cash Adjustments				
Non-cash charges – auditor's remuneration		80	-	80
Movement in Reserves				
Recognised in Statement of Comprehensive Net Expenditure		205	302	507
Transfers between Reserves		1,245	(1,245)	-
Balance at 31 March 2013		218,749	106,531	325,280
Net Parliamentary Funding – drawn down		89,203	-	89,203
Net Parliamentary Funding – deemed		1,724	-	1,724
Supply payable adjustment		(262)	-	(262)
Comprehensive Net Expenditure for the Year		(93,059)	-	(93,059)
Non-Cash Adjustments				
Non-cash charges – auditor's remuneration	4	80	-	80
Movement in Reserves				
Recognised in Statement of Comprehensive Net Expenditure	13, 6	(8,340)	9,417	1,077
Transfers between Reserves		1,217	(1,217)	-
Balance at 31 March 2014		209,312	114,731	324,043

The notes on pages 30 to 54 form part of these 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*, which is the 2013-14 *Government Financial Reporting Manual (FReM)* issued by HM Treasury applied by analogy. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRSs) 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 Government *FReM* or HM Treasury's *Corporate Governance in Central Government Departments: Code of Good Practice*, it seeks to apply best practice principles wherever possible.

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 by the Parliamentary Security Director for both Houses but are billed separately to the two Houses by the Metropolitan Police, apportioned in a 31:69 ratio (Lords:Commons).

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 a basis agreed project by project.

Additionally, the two Houses incur other administration costs on each other's behalf. These are recharged over the course of the year, on the basis of agreed proportions.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of 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, or known of 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 2013-14 and not applied that would materially affect the resource accounts. The House of Lords has not adopted any standards early.

Notes to the Resource Accounts – continued

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.

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 2013-14 by the VOA using a desktop valuation; the valuation date was 31 March 2014. The last full revaluation was as at 31 March 2013.

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 its useful life. The land element is capitalised and revalued annually.

iii. Plant and Machinery

Plant and Machinery includes the clock mechanism in the Elizabeth 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 2013-14 other non current assets were not subject to revaluation as the modified costs were not material.

v. Assets Under Construction

Assets under construction additions are capitalised at cost (nil for 2012-13).

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 and a market value. This is the value used at 31 March 2014.

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 acquisition and disposal policies were reviewed and updated during 2012-13.

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 18.

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 and the benefit received by a valuation exercise at this time would not justify the expense incurred. This was reviewed in 2012-13 and no change was agreed.

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 20. The House's acquisition and disposal policies were reviewed and updated during the year.

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 medieval age, with major holdings dating from the 18th, 19th and 20th centuries, and also significant contemporary holdings.

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 digital. 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 publish an Annual Review which is available via www.parliament.uk. Full details of the Parliamentary Archives acquisition policy are also available via the parliamentary website.

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. Similarly 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 in the following range:

Palace of Westminster	84 years
Other buildings	remaining life (between 21-40 years)
Catering and Retail Services silverware	20 years
Broadcasting equipment	10 years
Fixtures and fittings	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, reproduction of parliamentary archives, the provision of catering and retail services, rental income, staff pension contributions, other fees and charges, and other pension receipts.

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 (HOLSPS) described in note 3. 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 this liability is included on the Statement of Financial Position, see note 13.1. Actuarial gains and losses are recognised as an adjustment to the General Fund in the year the gains/losses occur. The HOLSPS contains particular arrangements in respect of employees who retire early on medical or structural grounds. These costs are identified separately in the accounts where appropriate. Details of the methods and assumptions used in calculating the pension valuation, and the sensitivity of the results, are disclosed in note 13.1.

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 and whose purpose is consistent with its Strategic Plan. Generally grants are paid quarterly and the amounts are reviewed each year. The House of Lords made the following grant payments:

	2013-14	2012-13
	£	£
History of Parliament Trust	522,720	522,720
Commonwealth Parliamentary Association UK Branch	505,260	394,950
British Group Inter-Parliamentary Union	341,820	379,800
British-Irish Parliamentary Assembly	50,220	31,050
British-American Parliamentary Group	33,000	29,700
	1,453,020	1,358,220

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 in 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, via the payroll, on behalf of its staff. For 2013-14 the amount paid was £303,989 (2012-13 – £326,159). The balance held at the end of the financial year was £62,364 (2012-13 - £61,336).

1.15 Contingent Liabilities

Contingent liabilities are reviewed each year and disclosed in a note to the accounts (see note 14). 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.

Notes to the Resource Accounts – continued

2. Statement of Operating Costs by Operating Segment

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 2013/14* (HL Paper 149).

The Management Board takes strategic and corporate decisions for the House Administration within the policy framework set by the House Committee. It encourages the process of change in order to enhance the Administration's performance and supports the Clerk of the Parliaments in the discharge of his functions as Accounting Officer and employer of the staff of the House. The Board manages the Administration with the resources agreed by the House Committee and monitors the Administration's performance in achieving its objectives. The members of the Board are the directors of key functions in the House of Lords.

The Management Board reviews 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	2013-14			2012-13		
	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
Clerk of the Parliaments	2,470	-	2,470	2,373	-	2,373
Parliamentary Services	9,135	(51)	9,084	9,143	(26)	9,117
Corporate Services	1,578	-	1,578	1,432	-	1,432
Support Services	31,445	(5,725)	25,720	28,162	(5,864)	22,298
Information Services	6,741	-	6,741	6,459	(16)	6,443
Financial Resources	22,985	-	22,985	21,994	-	21,994
Security	11,194	(7)	11,187	11,442	(4)	11,438
Information and Communication Technology	6,579	-	6,579	5,915	-	5,915
Human Resources	952	(1,079)	(127)	803	(1,931)	(1,128)
Centrally held funds (inc pension interest cost)	6,842	-	6,842	7,765	-	7,765
Total	99,921	(6,862)	93,059	95,488	(7,841)	87,647
Total Assets			456,596			443,963
Total Liabilities			(132,553)			(118,683)
Net Assets			324,043			325,280

The operating functions are as follows:

- Clerk of the Parliaments – Clerk of the Parliaments Office and certain corporate costs
- Parliamentary Services – Committee Office, Hansard, Legislation Office, Journal Office and the Registrar of Lords' Interests
- Corporate Services – Lord Speaker's Office, Overseas Office, Members' ICT and certain Internal Audit costs
- Support Services – Department of Facilities, Catering and Retail Services and Property and Office Services
- Information Services – Library, Parliamentary Archives and Information Office
- Financial Resources – Finance Department including Procurement Services and Members Finance
- Security – Parliamentary security and Black Rod's Department
- Information and Communication Technology – Parliamentary ICT Service
- Human Resources – Human Resources Office and Pensions section
- Centrally held funds – budgets held at a corporate level including pensions interest cost

Notes to the Resource Accounts – continued

3. Staff numbers and related costs

Staff costs (including 20% of PICT) comprise:

	2013-14	2012-13
	£000	£000
Wages and salaries	18,358	17,628
Social security costs	1,463	1,328
Other pension costs	5,399	5,862
Sub total	25,220	24,818
Less recoveries in respect of outward secondments	(601)	(525)
Total net cost	24,619	24,293

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 (PCSPS). The House of Lords meets the costs of all benefits. A provision to meet this 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 2014.

For 2013-14, employers' contributions of £2,620,193 (2012-13 – £2,855,838) were accrued at rates in the range 16.7-24.3% (2012-13 – 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 £40,064 (2012-13 – £37,391) 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% (2012-13 – 3-12.5%) of pensionable pay. Contributions due to the partnership pension providers at the Statement of Financial Position date were £nil (2012-13 – nil). Contributions prepaid at that date were £nil (2012-13 – nil).

Three persons (2012-13 one person) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £3,897 (2012-13 £866).

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.

Average number of persons employed

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

	2013-14	2012-13
House of Lords Administration	469	459

The average number of persons employed excludes PICT staff who are paid via the House of Commons.

The House of Commons ran a voluntary exit scheme during 2013-14 for which both House of Commons and PICT staff could apply. The House of Lords paid the relevant proportion of the staff voluntary exit packages for staff of shared services. The total cost to the House of Lords was £28,082 (2012-13 – £36,373).

Notes to the Resource Accounts – continued**4. Other costs**

	Note	2013-14 £000	2012-13 £000
Rentals under operating leases		653	949
Non-cash items			
Depreciation	6	6,544	6,738
Finance lease asset depreciation	6	25	-
Amortisation	7	65	106
Net (gain)/loss on disposal of property, plant and equipment		40	1,148
Net (gain)/loss on revaluation of property, plant and equipment		980	(3,714)
Auditor's remuneration		80	80
Interest cost on pension provision	13.1	4,467	4,977
Provision provided in year	13.2	28	36
Provision written back	13.2	(36)	(334)
<i>Total non-cash items</i>		<i>12,193</i>	<i>9,037</i>
Members' Expenses and Financial Support		21,046	20,028
Financial Assistance for Opposition Parties		567	618
Security		10,001	10,103
Estates & Works expenditure		16,141	16,376
Printing and publications		2,186	2,428
IT and telecommunication costs		4,047	3,926
Grants	1.12	1,453	1,358
Catering & Retail Services direct costs excluding staff costs		1,976	1,944
Broadcasting, outreach and visitor services		2,067	1,679
Other expenditure		2,946	2,749
Service charge element of Finance Lease		20	-
Interest on Finance Lease		6	-
Total		75,302	71,195

The auditor's received no remuneration for non-audit work. In addition to the £566,928 Financial Assistance for Opposition Parties above, staff costs of £58,768 have been incurred by the House of Lords in relation to assistance for Opposition Parties (specifically, for the Convenor of the Crossbench Peers). In 2012-13, these costs were incurred directly by the Opposition Parties and included in the 2012-13 figures. The amount of Financial Assistance Opposition Parties could claim in 2013-14 was reduced accordingly. Further information on Members' Expenses and Financial Support, including the guide and details of payments made to Members, is available via www.parliament.uk. Compared to previous years the 'Other expenditure' category has been further analysed and the comparative figures restated.

5. Income

	2013-14 £000	2012-13 £000
Catering and Retail Services sales	4,286	4,401
Pension contributions and transfers in	1,079	1,931
Fees, charges and rental income	1,497	1,509
	6,862	7,841

Notes to the Resource Accounts – continued

6. Property, plant and equipment

	Land & Buildings excluding dwellings	Dwellings	Fixtures & Fittings	Information Technology	Plant & Machinery	Heritage Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2013	780,860	2,689	3,808	9,193	1,734	14,466	812,750
Additions	10,574	-	209	948	54	39	11,824
Disposals	-	-	(1)	(973)	-	-	(974)
Revaluations	21,026	288	-	-	-	-	21,314
At 31 March 2014	812,460	2,977	4,016	9,168	1,788	14,505	844,914
Depreciation							
At 1 April 2013	361,802	190	1,827	7,706	441	-	371,966
Charged in year	5,465	47	330	726	1	-	6,569
Disposals	-	-	-	(934)	-	-	(934)
Revaluations	12,806	71	-	-	-	-	12,877
At 31 March 2014	380,073	308	2,157	7,498	442	-	390,478
Net book value at 31 March 2014	432,387	2,669	1,859	1,670	1,346	14,505	454,436
Net book value at 31 March 2013	419,058	2,499	1,981	1,487	1,293	14,466	440,784
Asset Financing:							
Owned	432,387	2,669	1,859	1,361	1,346	14,505	454,127
Finance leased on balance sheet (SoFP) service concession arrangement	-	-	-	309	-	-	309
Carrying amount at 31 March 2014	432,387	2,669	1,859	1,670	1,346	14,505	454,436

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 2013	47,151	27,475	663,276	42,958	-	780,860
Additions	-	-	9,966	608	-	10,574
Disposals	-	-	-	-	-	-
Revaluations	4,039	1,190	18,376	(2,579)	-	21,026
At 31 March 2014	51,190	28,665	691,618	40,987	-	812,640
Depreciation						
At 1 April 2013	-	-	356,866	4,936	-	361,802
Charged in year	-	-	4,101	1,364	-	5,465
Disposals	-	-	-	-	-	-
Revaluations	-	-	13,178	(372)	-	12,806
At 31 March 2014	-	-	374,145	5,928	-	380,073
Net book value at 31 March 2014	51,190	28,665	317,473	35,059	-	432,387
Net book value at 31 March 2013	47,151	27,475	306,410	38,022	-	419,058

Notes to the Resource Accounts – continued

	Land & Buildings excluding dwellings	Dwellings	Fixtures & Fittings	Information Technology	Plant & Machinery	Heritage Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2012	765,085	2,502	3,658	8,902	1,734	14,446	796,327
Additions	9,555	-	151	459	-	20	10,185
Disposals	(2,566)	-	(1)	(168)	-	-	(2,735)
Revaluations	8,786	187	-	-	-	-	8,973
At 31 March 2013	780,860	2,689	3,808	9,193	1,734	14,466	812,750
Depreciation							
At 1 April 2012	352,200	163	1,511	6,929	353	-	361,156
Charged in year	5,331	59	317	943	88	-	6,738
Disposals	(718)	-	(1)	(166)	-	-	(885)
Revaluations	4,989	(32)	-	-	-	-	4,957
At 31 March 2013	361,802	190	1,827	7,706	441	-	371,966
Net book value at 31 March 2013	419,058	2,499	1,981	1,487	1,293	14,466	440,784
Net book value at 31 March 2012	412,885	2,339	2,147	1,973	1,381	14,446	435,171
Asset Financing:							
Owned	419,058	2,499	1,981	1,487	1,293	14,466	440,784
Finance leased on balance sheet (SoFP) service concession arrangement	-	-	-	-	-	-	-
Carrying amount at 31 March 2013	419,058	2,499	1,981	1,487	1,293	14,466	440,784

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 2012	42,908	22,936	652,301	44,374	2,566	765,085
Additions	-	-	7,668	1,887	-	9,555
Disposals	-	-	-	-	(2,566)	(2,566)
Revaluations	4,243	4,539	3,307	(3,303)	-	8,786
At 31 March 2013	47,151	27,475	663,276	42,958	-	780,860
Depreciation						
At 1 April 2012	-	-	347,704	3,927	569	352,200
Charged in year	-	-	3,789	1,393	149	5,331
Disposals	-	-	-	-	(718)	(718)
Revaluations	-	-	5,373	(384)	-	4,989
At 31 March 2013	-	-	356,866	4,936	-	361,802
Net book value at 31 March 2013	47,151	27,475	306,410	38,022	-	419,058
Net book value at 31 March 2012	42,908	22,936	304,597	40,447	1,997	412,885

Notes to the Resource Accounts – continued

Land and buildings

The Parliamentary Estate was revalued during 2013-14 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 2014. The total value of the Palace as at 31 March 2014 was £903,411,440 (House of Lords share £361,364,577).

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 H Blairman & Sons who gave an indicative valuation for purposes of insurance and a market value. The market value was the value used at 31 March 2014. The value of the antique furniture as at 31 March 2014 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 2014 was £712,875 (2012-13 - £673,860). Details of the Works of Art Collection Fund are in note 18.

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 2014 was £56,179 (2012-13 - £56,179).

iv. Members' Robes

The value of the donated Members' Robes as at 31 March 2014 was £217,453 (2012-13 - £217,453).

Revaluation of the Parliamentary Estate

The revaluation exercise of property, plant and equipment during the year resulted in £8,201,000 of the revaluation gain being adjusted against the revaluation reserve, including the transfer between reserves (2012-13 – £302,000 gain) and a loss of £981,000 being charged to operating costs (2012-13 – £3,714,000 gain).

Notes to the Resource Accounts – continued**7. Intangible non current assets**

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

	2013-14	2012-13
	£000	£000
Cost or valuation		
At 1 April	2,664	2,536
Additions	25	128
Disposals	(13)	-
Revaluation	-	-
At 31 March	2,676	2,664
Amortisation		
At 1 April	2,452	2,346
Charged in year	65	106
Disposals	(13)	-
Revaluation	-	-
At 31 March	2,504	2,452
Net book value at 31 March	172	212
Net book value at 1 April	212	190

8. Capital and other commitments*8.1 Capital commitments*

	31 March 2014	31 March 2013
	£000	£000
Contracted capital commitments at 31 March not otherwise included in these financial statements:		
Property, plant and equipment	7,540	8,205

Notes to the Resource Accounts – continued**8.2 Commitments under leases****8.2.1 Operating leases**

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

	31 March 2014	31 March 2013
	£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	1,207	148
	<hr/> 1,265	<hr/> 206
Buildings:		
No later than one year	461	461
Later than one year and not later than five years	1,844	1,844
Later than five years	3,227	3,688
	<hr/> 5,532	<hr/> 5,993
Other:		
No later than one year	72	70
Later than one year and not later than five years	66	66
Later than five years	-	-
	<hr/> 138	<hr/> 136

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

Notes to the Resource Accounts – continued

8.3 Commitments under PFI and other service concession arrangements

8.3.1 On-balance sheet (SoFP)

The following commitments are in respect of assets that have been brought onto the House of Lords' Statement of Financial Position (SoFP) under IAS 17 and IFRIC 12 Service Concession Arrangements. The commitments are in relation to the IT Network Service Contract with Telindus.

The IT Network Service Contract is a four and a half year contract expiring in April 2019 with no automatic right of renewal.

The substance of the contract is that the House of Lords has a finance lease and that the payments comprise two elements: imputed finance lease charges and service charges.

Details of the imputed finance lease charges are given in the table below for each of the following periods:

	31 March 2014 £000	31 March 2013 £000
Rentals due within one year	85	-
Rentals due later than one year and not later than five years	265	-
Rentals due later than five years	-	-
	<hr/> 350	<hr/> -
Less interest element	(38)	-
Present value of obligation	<hr/> 312	<hr/> -

Details of minimum service charges are given in the table below of each of the following periods:

	31 March 2014 £000	31 March 2013 £000
Service charges due within one year	116	-
Service charges due later than one year and not later than five years	357	-
Service charges due later than five years	-	-
	<hr/> 473	<hr/> -

8.3.2 Charges to the Statement of Comprehensive Net Expenditure

The total amount charged to the Statement of Comprehensive Net Expenditure in respect of the service element of on-balance sheet PFI or other service concession transactions was £20,000 (2012-13: £nil).

Notes to the Resource Accounts – continued

9. 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 and managing risk than would apply to a business entity of a similar size. The majority of financial instruments relate to contracts for 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' finances 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 2014		31 March 2013	
	Loans and receivables £000	Other financial liabilities £000	Loans and receivables £000	Other financial liabilities £000
Assets				
Trade receivables	493	-	437	-
Cash and cash equivalents	262	-	1,724	-
Liabilities				
Trade and other payables	-	9,602	-	8,563

10. Trade receivables and other current assets

	31 March 2014 £000	31 March 2013 £000
Amounts falling due within one year:		
Trade receivables	493	437
Deposits and advances	116	121
Prepayments and accrued income	480	475
VAT	455	-
	1,544	1,033

Details of the year end balances relating to joint and shared services with the House of Commons are contained in note 16 *Related party transactions*.

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

	£000
Balance at 1 April 2013	1,724
Net change in cash and cash equivalent balances	(1,462)
Balance at 31 March 2014	262

	31 March 2014 £000	31 March 2013 £000
The following balances were held at:		
Government Banking Service	75	1,377
Commercial banks and cash in hand	187	347
Balance at 31 March	262	1,724

I2. Trade payables and other current liabilities

	31 March 2014 £000	31 March 2013 £000
Amounts falling due within one year		
Trade payables	4,518	5,297
Other payables	2,349	2,081
VAT	-	62
Accruals and deferred income	2,735	1,123
Amounts issued from the Consolidated Fund for supply but not spent at year end	262	1,724
Current part of imputed finance lease element of on-balance sheet (SoFP) service concession arrangements	71	-
	9,935	10,287
Amounts falling due after more than one year		
Other payables, accruals and deferred income	-	-
Imputed finance lease element of on-balance sheet (SoFP) service concession arrangements	242	-
	242	-

Details of the year end balances relating to joint and shared services with the House of Commons are contained in note I6 *Related party transactions*.

Notes to the Resource Accounts – continued

13. Provisions for liabilities and charges

13.1 Pension Liability

Overview

The House of Lords Staff Pension Scheme is an unfunded defined benefit scheme 'by analogy' to the Principal Civil Service Pension Scheme. The pension scheme generates a significant liability on the Statement of Financial Position. This liability will be redeemed through the pension payments made to current and former members of the scheme, and as such will not be fully realised for many years.

Benefits provided

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.

	<i>Classic</i>	<i>Classic plus</i>	<i>Premium</i>	<i>Nuvos</i>
<i>Scheme type</i>	Defined benefit	Defined benefit	Defined benefit	Career average
<i>Pension age</i>	60	60	60	65
<i>Benefit accrual rate</i>	1/80 of final pensionable earnings	Hybrid of Classic (pre Oct 2002) and Premium (Oct 2002 onwards)	1/60 of final pensionable earnings	2.3% of pensionable earnings. Accrued pension is uplifted in line with Pension Increase legislation.
<i>Automatic lump sum</i>	Equivalent to three years pensionable pay	Per Classic apportioned to benefits accrued pre Oct 2002	No, however can opt to commute pension for lump sum	No, however can opt to commute pension for lump sum
<i>Number of Members as at 31 March 2014</i>				
Active	151	10	140	231
Deferred	172	6	50	27
Pensioners	362	7	35	1

Employer and employee contributions are dependent on salary bands. For 2013-14 the employer contributions were accrued in the range of 16.7-24.3% (2012-13 – 16.7-24.3%) With the increase in employee contributions on 1 April 2013, these ranged from 1.5% to 8.25% (prior to 1 April 2013, the range was 1.5% to 5.9%).

Members joining from October 2002 may opt for either the appropriate defined benefit scheme or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account). 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. Pensions payable under **classic, premium, classic plus** and **nuvos** are increased annually in line with changes in line with Pension Increase Legislation and are increased annually in line with the statutory index-linked increases applied by the Government to public sector schemes. The indexation was changed from Retail Prices Index (RPI) to the Consumer Prices Index (CPI) from 1 April 2011.

Pensions costs shown against the Estimate

With the scheme being unfunded all changes to pension liabilities shown in the Statement of Comprehensive Net Expenditure represent non-cash adjustments. The benefits earned by employees in the current year are included within 'other pension costs' within note 3, while the cost of pension interest on the historic liabilities appears in note 4. The latter represents the unwinding of the discount applied to pension liabilities in previous years. Both the current service costs and pension interest are scored against the Estimate.

Notes to the Resource Accounts – continued

By agreement between the House of Commons and the House of Lords, the whole pension liability of employees within shared services falls on the House by whom staff are formally employed, regardless of whether salary costs are shared. PICT is a joint department and the House of Lords incurs pension costs, see note 3, in relation to PICT staff.

Cash expenditure represents the difference between the payments made to pensioners and current employee contributions, offset by other net pension scheme transfers.

Assumptions adopted for calculating the pension fund liabilities

The actuarial valuation involves placing a current value on the benefit payments due to be paid in future years. It includes liabilities accrued during 2013-14 and for previous years for current and former employees. The International Accounting Standard (IAS 19) requires the value of the accrued pension liabilities and current service cost (or contribution rate) to be assessed using the standard actuarial methodology known as the Projected Unit Credit Method. A full valuation was carried out at 31 March 2014 by the Government Actuary's Department in accordance with the Financial Reporting Manual (FrM).

(i) Present value of the scheme liabilities

	2013-14 £000	2012-13 £000	2011-12 £000	2010-11 £000	2009-10 £000
Liabilities in respect of:					
Active members	62,691	58,386	53,514	51,528	60,714
Deferred Pensioners	12,550	9,534	8,729	8,020	10,341
Current Pensioners	47,107	40,440	39,438	37,338	40,847
Total present value of the scheme liabilities	122,348	108,360	101,681	96,886	111,902

(ii) Analysis of movement in scheme liability

	2013-14 £000	2012-13 £000
Value of liabilities at 1 April	108,360	101,681
Current service cost	3,912	3,617
Employee contributions	965	702
Interest on scheme liability	4,467	4,977
Net pension transfers in/(out)	(15)	924
Benefits payable	(3,681)	(3,336)
Past service costs	-	-
Actuarial (gain)/loss	8,340	(205)
Balance at 31 March	122,348	108,360

(iii) Financial assumptions

With the exception of the rate of increase in salaries, which is advised by GAD on the basis of historic trends and is a long term assumption with no allowance for short term effects, the main financial assumptions adopted are in accordance with HM Treasury guidance (PES(2013)07) issued in December 2013.

	31 March 2014 %	31 March 2013 %
The CPI inflation assumption	2.50	1.70
The rate of increase in salaries	4.50	3.95
The rate of increase for pensions in payment and deferred pensions	2.50	1.70
The rate used to discount scheme liabilities	4.35	4.10

(iv) Demographic assumptions

The demographic assumptions determine the incidence of benefit outflow and include factors such as mortality (in service and retirement), withdrawal from service, promotional salary scales, proportions married and ages of dependants. The assumptions chosen for the assessment are drawn from the experience of the Principal Civil Service Pension Scheme.

Notes to the Resource Accounts – continued

(a) Life expectancy of normal health pensioner at age 60

	As at March 2014		As at March 2013	
	Male (years)	Female (years)	Male (years)	Female (years)
Current pensioners	29.0	31.2	28.6	30.7
Future pensioners*	31.3	33.5	31.1	33.0

(b) Life expectancy of normal health pensioner at age 65

	As at March 2014		As at March 2013	
	Male (years)	Female (years)	Male (years)	Female (years)
Current pensioners	24.1	26.2	23.9	25.8
Future pensioners*	26.8	28.9	26.7	28.5

* Illustrative life expectancies at for future pensioners as at 31 March 2013 and 31 March 2014 are based upon members aged 40 at these dates.

(v) Expenses recognised in the Statement of Comprehensive Net Expenditure

	2013-14 £000	2012-13 £000
Current service cost*	3,912	3,617
Interest costs (note 4)	4,467	4,977
Past service costs	-	-
	8,379	8,594

* included within "other pension costs", note 3

(vi) Analysis of actuarial (gain)/loss

	2013-14 £000	2012-13 £000
Experience (gains)/losses arising on scheme liabilities	(1,231)	(137)
Changes in assumptions underlying the present value of the scheme liabilities	9,571	(68)
	8,340	(205)
Cumulative total actuarial loss/(gain)	38,097	29,757

(vii) History of (gains) and losses

	2013-14	2012-13	2011-12	2010-11	2009-10
Experience (gains)/losses on liabilities					
Amount £000	(1,231)	(137)	(3,635)	(3,791)	16
Percentage of the present value of the scheme liabilities at year end	(0.1%)	(0.1)%	(3.6)%	(3.9)%	0.0%

(viii) Estimate of contributions expected to be paid into the scheme over the year 1 April 2014 to 31 March 2015

Employer contributions	£000
Employee contributions	4,764
	1,249
	6,013

Notes to the Resource Accounts – continued

(ix) Sensitivity of results

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. The principal financial assumptions are the real rates of return in excess of pension increases and earnings growth. A key demographic assumption is pensioner mortality. The table below shows the indicative effects on the total liability as at 31 March 2014 of changes to these assumptions.

Change in assumption	Approximate effect on total liability	
<i>Rate of return</i>		
(i) in excess of earnings: ½% a year	+2.5%	+£3.1 million
(ii) in excess of prices: ½% a year	+6.5%	+£8.0 million
<i>Pensioner mortality</i>		
(iii) pensioners living (on average) 1 year longer	+2.5%	+£3.1 million
<i>Discount rate</i>		
(iv) increase in the discount rate of ½%	-9.0%	-£11.0 million

In variant (i) of the table, the assumed rate of return in excess of prices remains unchanged, and in variant (ii), the assumed rate of return in excess of earnings remains unchanged. Variant (i) has an increased liability because the real rate of return in excess of earnings (or, equivalently, real earnings growth) differs from the central assumptions (by ½% a year). The total actuarial liability would change by about 2.5%. Similarly, variant (ii) shows a substantial effect because the real rate of return in excess of prices differs from the central assumptions (by ½% a year). The total actuarial liability would change by about 6.5%. Variant (iii) shows the significance of pensioner mortality: if longevity at retirement were assumed to be 1 year greater, then this would increase the total actuarial liability by about 2.5%. Variant (iv) shows the significance of the discount rate applied: if the rate used were to increase by ½% then this would decrease the total actuarial liability by about 9.0%.

13.2 Other Provisions – Voluntary Exit Scheme and Dilapidation Provision

Up until 2012-13 the House of Lords utilised leasehold properties under which the terms of the leases required the properties to be returned to the landlord in a specified condition. A provision was set up in order for the House of Lords to meet its contractual obligations. The leasehold property was vacated during 2012-13.

In 2013-14 the House of Lords has provided £28k for the House's contribution towards shared costs relating to the departure and other related costs of staff of shared services.

	2013-14	2012-13
	£000	£000
Value of liabilities at 1 April	36	334
Provided in the year	28	36
Provision written back	-	(334)
Provision utilised during the year	(36)	-
Balance at 31 March	28	36

Notes to the Resource Accounts – continued

14. 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 2013	Increase in year	Liabilities crystallised in year	Obligation expired in year	At 31 March 2014
	£000	£000	£000	£000	£000
Works of Art on loan from various collections	11,731	53	-	-	11,784

In addition to the above the House Lords has on long term loan works of art owned by the House of Lords Collection Trust with an estimated total value of £736,000.

15. Losses and Special Payments

No losses and special payments that require separate disclosure because of their nature or amount were incurred during the year to 31 March 2014 (2012-13 – £ nil).

16. 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 £36,037,000 (2012-13 - £34,593,000) on behalf of the House of Lords during 2013-14. At the financial year end the amount relating to accommodation, works and other shared services owed to the House of Commons by the House of Lords was £3,509,000 (2012-13 - £3,383,000 owed to House of Commons by the House of Lords). The House of Lords incurred expenditure of £572,000 (2012-13 - £431,000) on behalf of the House of Commons during 2013-14. At the financial year end the amount owed to the House of Lords by the House of Commons was £129,000 (2012-13 - £30,000).

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.

Certain House of Lords staff can use the House of Lords catering facilities for functions, paying the costs on standard terms and conditions. During 2013-14 one member of the Management Board used the catering facilities on such a basis for a personal function. There were no other material transactions undertaken by a Management Board member with the House of Lords during the year.

Notes to the Resource Accounts – continued

17. 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. An overall cost target for Catering and Retail Services is set each financial year by the Management Board. Further performance targets for trading in individual outlets of the department are also agreed, and are reviewed annually, by the Refreshment Committee.

For 2013-14 a priority of the House of Lords Administration was to change the provision of catering services more appropriately to meet the needs of members and staff. During 2013-14 the Management Board instigated a Catering and Retail Services Change Programme to implement a range of business improvements, agreed by the Refreshment Committee in 2012-13, with the objective of achieving a higher degree of customer satisfaction and cost reduction. The Management Board has been pursuing a consistent policy of Catering and Retail Services deficit reduction for a number of years, and continues to seek to reduce the net costs of the catering outlets.

Total trading sales for 2013-14 amounted to £4,242,638 (2012-13 - £4,376,459). The Banqueting and Retail operations made a net contribution of £985,352 (2012-13 - £988,729) to the costs of Catering and Retail Services. In 2013-14 the net overall costs amounted to £1,452,258 (2012-13 - £1,308,589).

18. 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. An annual grant is made to the Works of Art Collection Fund from the House of Lords Estimate. The amount of the annual grant was increased to a maximum of £50,000 per annum 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.

	2013-14 £000	2012-13 £000
Opening balance of Fund at 1 April	74	73
Add receipts: Grant for Works of Art Collection Fund	-	-
	74	73
Less: Purchases during the year (see below)	46	(1)
Closing Balance of Fund as at 31 March	28	74

Purchases during the year (which are included within additions in property, plant and equipment, note 6):

Description	£
View of Whitehall <i>Watercolour drawing by or after James Miller</i>	275
The Parting of Lord and Lady Russell <i>Compositional study for mural, oil on canvas by Charles West Cope, 1858</i>	2,340
Portrait of Augustus Henry Fitzroy, 3 rd Duke of Grafton <i>Oil on canvas by Sir Nathaniel Dance</i>	34,000
Portrait Commission of Lord Carrington	9,600
Total	46,215

Notes to the Resource Accounts – continued**19. 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 2014 that would affect the financial statements.

Remuneration Report 2013-14

The Clerk of the Parliaments, David Beamish, 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 2013-14 members were as follows:

- David Beamish – Clerk of the Parliaments
- Edward Ollard – Clerk Assistant
- Simon Burton – Reading Clerk (*from 3rd March 2014*)
- Rhodri Walters – Reading Clerk (*retired 28th February 2014*)
- Lieutenant-General David Leakey CMG CBE – Gentleman Usher of the Black Rod and Serjeant-at-Arms
- Andrew Makower – Finance Director
- Thomas Mohan – Director of Human Resources
- Elizabeth Hallam Smith – Director of Information Services and Librarian
- Carl Woodall – Director of Facilities
- Joan Miller – Director of Parliamentary Information Communications and Technology

The Clerk of the Parliaments is appointed by Her Majesty the Queen by Letters Patent. In March 2014 it was announced that Her Majesty the Queen had approved the extension of the appointment of David Beamish as Clerk of the Parliaments until 15 April 2017. 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.

Pay multiples

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 in the financial year 2013-14 was £175-180,000 (2012-13: £170-175,000). This was 6.7 times (2012-13: 6.7) the median remuneration of the workforce, which was £26,635 (2012-13: £25,946).

In 2013-14 nil (2012-13, nil) employee received remuneration in excess of the highest-paid director. Remuneration ranged from £16,368 to £180,000 (2012-13: £15,501-£175,000).

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

Remuneration Report 2013-14 – continued

Salary and pension entitlements

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

	Salary (£'000)		NCPRP (£'000)		Benefits in Kind (to nearest £'000)		Pension benefits (to nearest £'000)		Total (£'000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
David Beamish	175-180	170-175	N/A	N/A	-	-	7	30	180-185	200-205
Edward Ollard	105-110	100-105	0-5	0-5	-	-	13	11	125-130	110-115
Rhodri Walters	95-100 (105-110 full year equivalent)	105-110	0-5	0-5	-	-	(1)	(1)	100-105 (105-110 full year equivalent)	105-110
Simon Burton	5-10 (80-85 full year equivalent)	N/A	0-5	N/A	-	-	(3)	-	5-10 (80-85 full year equivalent)	N/A
David Leakey	90-95	85-90	0-5	0-5	8	5	34	32	130-135	120-125
Thomas Mohan	80-85	80-85	0-5	0-5	-	-	7	6	90-95	85-90
Andrew Makower	80-85	80-85	0-5	0-5	-	-	7	6	90-95	90-95
Elizabeth Hallam Smith	105-110	105-110	0-5	0-5	-	-	7	5	115-120	110-115
Carl Woodall	95-100	95-100	0-5	0-5	-	-	42	36	140-145	130-135
Joan Miller	100-105	100-105	0-5	0-5	-	-	21	40	120-125	140-145

Figures in table audited by the National Audit Office

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.

NCPRP

The Non-Consolidated Performance Related Payments (NCPRPs) are based on performance levels attained and are made as part of the appraisal process. NCPRPs relate to the year in which they are paid i.e. the NCPRPs reported in 2013-14 relate to performance in 2012-13 and the comparative NCPRPs reported for 2012-13 relate to performance in 2011-12. The Clerk of the Parliaments is not eligible for NCPRP.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the House of Lords and treated by HM Revenue and Customs as taxable emolument. Black Rod occupies a Parliamentary Residence and for 2013-14 the taxable benefit for the residence was £8,083 (2012-13: £4,754).

Pension Benefits

The value of pensions benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to transfer pension rights.

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.

Remuneration Report 2013-14 – continued

Pensions

The pension benefits of the Management Board were as follows:

	Accrued pension and related lump sum at 31/3/14 £000	Real increase in pension and related lump sum at 31/3/14 £000	CETV at 31/3/14 £000	CETV at 31/3/13 £000	Real increase/ (decrease) in CETV £000
David Beamish	85-90 <i>Plus lump sum of 260-265</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	2,002	1,964	7
Edward Ollard	40-45 <i>Plus lump sum of 120-125</i>	0-2.5 <i>Plus lump sum of 2.5-5</i>	786	728	10
Rhodri Walters	55-60 <i>Plus lump sum of 175-180</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	1,276	1,261	1
Simon Burton	25-30 <i>Plus lump sum of 75-80</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	427	425	(4)
David Leakey	5-10 <i>Plus lump sum of N/A</i>	0-2.5 <i>Plus lump sum of N/A</i>	109	72	28
Thomas Mohan	30-35 <i>Plus lump sum of 90-95</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	612	570	5
Andrew Makower	30-35 <i>Plus lump sum of 90-95</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	556	517	5
Elizabeth Hallam Smith	45-50 <i>Plus lump sum of 135-140</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	984	963	6
Carl Woodall	15-20 <i>Plus lump sum of N/A</i>	2.5-5 <i>Plus lump sum of N/A</i>	182	140	23
Joan Miller	15-20 <i>Plus lump sum of 0-5</i>	0-2.5 <i>Plus lump sum of 0-2.5</i>	338	309	19

Figures in table audited by the National Audit Office

Pension benefits are provided through the House of Lords Staff Pension Scheme (HOLSPS). From 30 July 2007, staff may be in one of four defined benefit schemes: either a final salary scheme (**classic, premium or classic plus**); or a 'whole career' scheme (**nuvos**). The statutory schemes are unfunded with the costs of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus** and **nuvos** are increased annually in line with changes in 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 salary-related and range between 1.5% and 6.25% of pensionable earnings for **classic** and 3.5% and 8.25% for **premium, classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2014. 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 initial 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 uprated 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).

Remuneration Report 2013-14 – continued

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 2008 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

10 July 2014

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone 0870 240 3701

TSO@Blackwell and other Accredited Agents

Customers can also order publications from:

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

Tel 028 9023 8451 Fax 028 9023 5401

ISBN: 9780108554742