



HOUSE OF LORDS

Resource Accounts 2014-15

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Contents

	Page
Foreword to the Resource Accounts	3
Statement of Accounting Officer's Responsibilities	10
Governance Statement	11
The Certificate and Report of the Comptroller and Auditor General	23
Statement of Parliamentary Supply	25
Notes to the Statement of Parliamentary Supply	26
Statement of Comprehensive Net Expenditure	29
Statement of Financial Position	30
Statement of Cash Flows	31
Statement of Changes in Taxpayers' Equity	32
Notes to the Resource Accounts	33
Remuneration Report	58

Foreword to the Resource Accounts

Scope

The House of Lords Administration presents the accounts of the House of Lords for the financial year ended 31 March 2015. 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 strategic aim of the House of Lords Administration is to enable the House and its members to carry out their parliamentary functions effectively.

To achieve the strategic aim the Administration pursues the following strategic objectives:

- Effectiveness – with impartiality, support and strengthen the House in performing its core functions of:
 - scrutinising and amending legislation
 - holding the executive to account
 - debating public policy
- Efficiency – make efficient use of human, physical and financial resources.
- Restoration, Renewal and Stewardship – deliver a bicameral policy for restoring and renewing the Palace of Westminster;
- Engagement – communicate and foster engagement with the work of the House as an effective second Chamber at home and abroad;
- Partnership – play a full part in the functioning of the United Kingdom Parliament as a whole.

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 policy¹.

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 2014-15. The Annual Report includes information relating to the implementation of the business plan, the Audit Committee Annual Report for 2014-15, the Sustainability Report, a new Diversity and Corporate Responsibility report, information on House of Lords staff, and performance and activity indicators.

¹ As at 31 March 2015 789 Members were eligible to sit; 778 as at 31 March 2014

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 business and spending plans for 2014-15 to 2016-17. The *House of Lords Business Plan 2015/16* (HL Paper 150) was published in March 2015. It included the business plan and the financial plan for 2015-16 to 2017-18. It also included the *Medium Term Investment Plan: Investing in Parliament 2015-19* a joint plan for the House of Commons and the House of Lords. All of the above House of Lords publications are available via the Parliamentary website.²

Management Commentary and Financial Review

The 2014-15 Resource Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and the accounting policies set out in note 1 to the financial statements.

Financial Remit and savings

The House of Lords Administration is subject to a financial remit which dates back to 2010 and is included in the Strategic Plan which states the Administration will “adhere to the savings target of not increasing the resource budget in real terms (compared with 2010/11), subject to the need to maintain the ability of the House and its Members to carry out their parliamentary functions in changing circumstances including increased attendance.”

The baseline was set in 2010-11 at £102m and applying the appropriate index³ this lead to a revised baseline of £117m for 2014-15. Adjusting for exceptional and technical accounting items, the Administration has met this financial remit.

Table 1 - Resource costs compared to revised baseline

	2014-15 Outturn £m	2013-14 Outturn £m	% change
Net operating costs	94.4	93.1	1.4
Technical accounting adjustments			
Property revaluation (loss)/gain	0.9	(1.0)	
Underlying Resource expenditure before technical accounting adjustments	95.3	92.1	3.5
Resource baseline (revised)	117.0	113.0	

The 2014-15 annual valuation of the Parliamentary Estate resulted in a net gain on revaluation of property, plant and equipment of £10.7m. A gain on the valuation of £0.9m was credited to net operating costs, and a gain on revaluation of land and buildings was credited to the revaluation reserve by £9.8m.

The resource outturn in 2013-14 included an accounting adjustment of £1.0m relating to the annual revaluation of the Parliamentary Estate that was charged to net operating costs.

² <http://www.parliament.uk/business/lords/house-lords-administration/how-the-lords-is-run/business-and-financial-information/>

³ Consumer Prices Index for year ending September

Comparison of the 2014-15 outturn with the 2014-15 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 2014-15 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 2014-15 was £94.4m, recognising a £6.0m underspend against the revised Estimate of £100.4m, which included the Supplementary Estimate.

<i>Table 2 – Estimate against outturn</i>	2014-15	2014-15	Underspend	
	Estimate £m	Outturn £m	£m	%
Resource DEL	94.7	90.0	4.7	5.0
Resource AME	5.7	4.4	1.3	22.8
Net resource requirement	100.4	94.4	6.0	6.0
Capital DEL	18.4	15.0	3.4	18.5
Net cash requirement	106.4	99.1	7.3	6.9

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

- Resource DEL
 - Some reserve budgets, held centrally, were not used contributing £1.6m to the underspend;
 - Staff costs were under budget by £0.7m;
 - Pension related costs, which included accounting for the pension provisions movements, were £0.7m less than expected;
 - Estates operational costs were under budget by £0.7m;
 - Spend on printing and publishing was underspent by £0.4m;
 - Other costs were £0.6m less than expected.
- Resource AME
 - There was a higher than expected gain following the year end valuation of the Parliamentary Estate meaning costs were £0.9m less than budgeted;
 - Pension interest costs on the pension were £0.4m less than anticipated when the budget was set.
- Capital expenditure
 - £3.2m of the capital underspend was largely due to delays and re-prioritisations large capital projects such as those relating to fire safety improvements and the mechanical & electrical works programme;
 - £0.2m less than budgeted was spent on IT assets.

Cash

A net cash requirement of £99.1m was achieved against the Estimate limit of £106.4m. The underspend of £7.3m comprises the capital underspend of £3.4m, the cash equivalent resource underspend of £6.3m and an increase in working capital at the year-end of £2.4m.

Net Assets

Net assets employed by the House of Lords increased by £4.0m to £328.0m. The increase is a result of an increase in non-current assets of £19.2m, an increase in non-current liabilities (including the pension provision) of £17.6m, and an increase in working capital of £2.4m.

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 2015-16 was agreed by the House Committee in December 2014. 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 2015. The Main Estimate is normally authorised by Parliament in July, when the Appropriation Act is passed.

Significant events during the financial year

Intelligence and Security Committee of Parliament

The Justice and Security Act 2013 changed the existing Intelligence and Security Committee into the Intelligence and Security Committee of Parliament (ISCoP) 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 ISCoP from April 2014. Discussions were held between the ISCoP, the two Houses of Parliament, the Cabinet Office and the Foreign and Commonwealth Office. In 2014-15 the existing funding remained in place and will continue to do so.

Important events which have occurred since the financial year end

Parliamentary Digital Service

On 1 April 2015 a new joint Parliamentary Digital Service (PDS) commenced. The PDS brings together into a single organisation the management of all online and information and communications technology services (ICT) including both ICT services formerly managed by the joint Parliamentary Information and Communications Technology Department (PICT), and web services formerly managed by the Web and Intranet Service based in the House of Commons. The PDS is a joint department of both Houses with its costs split between the House of Lords and the House of Commons on a 30:70 ratio.

House of Lords Staff Pension Scheme

On 1 April 2015 the *House of Lords Staff Pension Scheme* (HOLSPS) merged with the Civil Service Pension Scheme (CSPS). The HOLSPS was a 'by analogy' scheme and followed the rules of the *Principal Civil Service Pension Scheme*. In line with HM Treasury guidance it was accounted for in the House of Lords Resource Accounts. As part of the Government's wider changes to public service pensions a new pension scheme, *alpha*, was introduced on 1 April 2015. The majority of existing House of Lords Staff Pension Scheme members moved to the new scheme (*alpha*) from 1 April 2015.

General Election

A General Election was held on 7 May 2015 which led to a majority government of the Conservative Party, ending the coalition government between the Conservative Party and the Liberal Democrats. As a result of this there were ministerial changes in the House of Lords.

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 2014-15 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 58).

Members of the House of Lords (except certain office holders) do not receive a salary from the House. 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 2015 the annual amounts were as follows:

Lord Speaker	£101,664
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

Up to 31 March 2015 present and past employees of the House of Lords were covered by the provisions of the *House of Lords Staff Pension Scheme* (HOLSPS). The scheme was an unfunded defined benefit scheme which operated 'by analogy' with the *Principal Civil Service Pension Scheme*. The Statement of Financial Position includes a provision against which future pension benefits would be charged when paid. The annual accruing cost of benefits is charged to the Statement of Comprehensive Net Expenditure and details of pensions are in notes 1.10 and 13.1. On 1 April 2015 the HOLSPS merged with the Civil Service Pension Scheme (CSPS) and during 2015-16 the liabilities will be transferred to the CSPS.

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. The Whitley Committee is a joint body of management and staff, including staff representatives from the recognised trade unions, and provides a mechanism for consultation,

discussion, negotiation and dealing with issues. 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 Disability⁴

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 2014-15 has been based on continuous monitoring of payments throughout the year and 93.7% (2013-14 96.4%) 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.

Such engagements are subject to a risk based assessment as to whether 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 was a joint department of the House of Commons and House of Lords. Its costs, and the majority of its contracts, were shared jointly between the two Houses. In line with the above approach, details of the arrangements relating to PICT are included for information.

⁴ See also the Diversity and Corporate Responsibility Report in the Annual Report

Table 3 - Off-payroll engagements as of 31 March 2015, for more than £220 per day and that last for longer than six months

	House of Lords	PICT
Number of existing engagements as of 31 March 2015	11	30
<i>Of which at the time of reporting have existed for:</i>		
less than one year	6	19
between one and two years	1	9
between two and three years	1	-
between three and four years	-	-
for four or more years	3	2

Table 4 – New off-payroll engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015, for more than £220 per day and that last for longer than six months

	House of Lords	PICT
Number of new engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015	15	24
Number of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	15	24
Number for whom assurance has been requested	3	20
<i>Of which:</i>		
For whom assurance has been received	3	20
For whom assurance has not been received	-	-
Have been terminated as a result of assurance not being received	-	-

There are no House of Lords Management Board members, or senior officials with significant financial responsibility, who have off-payroll engagements.

Auditor

The Comptroller and Auditor General is the external auditor for the House of Lords. The notional audit fee for 2014-15 was £70,000 (2013-14 – £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 any such information.

David Beamish

Clerk of the Parliaments and Accounting Officer

9 July 2015

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 refers to the *Government Financial Reporting Manual* issued by HM Treasury as applied by the House of Lords, 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 an 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 Report⁵ was published in July 2014 and assesses the achievement of the objectives in the 2013/14 Business Plan. The Business Plan for 2014/15 was published in March 2014,⁶ incorporating for the first time the Financial Plan and the Medium-Term Investment Plan. The Annual Report for 2014/15 will be published in July 2015.

The House Committee met 10 times during 2014/15. Further details of the work of the House Committee, including minutes, agendas and attendance, are published on the Parliamentary website.⁷

As recommended by the House of Commons Governance Committee, a joint meeting between the House Committee and the House of Commons Commission is scheduled to take place in October 2015, which will discuss shared services, among other bicameral matters.

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.

⁵ <http://www.publications.parliament.uk/pa/ld201415/ldbrie/43/43.pdf>

⁶ <http://www.parliament.uk/documents/lords-information-office/2015/HoL-Business-Plan-2015-16.pdf>

⁷ <http://www.parliament.uk/business/committees/committees-a-z/lords-select/house-committee/>

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 five times in 2014/15 (in April, July and October 2014 and January and March 2015) and met jointly with the House of Commons Administration Estimate Audit Committee twice (in July 2014 and January 2015). Attendance of Audit Committee members is set out in the Audit Committee Annual Report (published with the Annual Report). Minutes, agendas and attendance for meetings are published on the Parliamentary website.⁸ The Finance Director, the Head of Finance, the Head of Internal Audit and I attend all Committee meetings. National Audit Office staff also attend as the House's external auditors.

At the end of 2014, Baroness Noakes, Lord Sharman and one of the external members, Ian Luder, left the Committee. They were replaced by Lord Fink, Lord Shutt of Greetland and a new external member, John Beckerleg. Lord Turnbull also stepped down as Chairman of the Committee after its meeting in July 2015 and was replaced by Baroness Cohen of Pimlico, an existing member of the Committee. Details of the remuneration of the external members of the Audit Committee, Ian Luder, Liz Hewitt and John Beckerleg, are in the Audit Committee's Annual Report and their biographies are also available on the website.

Following an NAO-facilitated self-assessment of the Committee's effectiveness in 2014, the Committee agreed in January 2015 to be externally reviewed by Mazars LLP, an international accounting, auditing and advisory organisation. The review was considered to be timely, ahead of significant challenges for the Administration, including governance changes and Restoration and Renewal. The results of the external review were discussed by the Committee in July 2015, and any resulting changes will be considered in 2015/16. The undertaking of periodic internal and external effectiveness reviews by audit committees represents best practice in the private and public sectors.

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 the Parliamentary Digital Service, a joint department of both Houses of Parliament). The longer-serving external member of the Audit Committee, Liz Hewitt, attends all meetings of the Board. This further enhances the advice and support provided by the Board to me on the operation of the corporate governance system.

The Board is supported by other sub-boards and sub-groups, the membership of which includes representatives from the Management Board. The bicameral Parliamentary Estate Board recommends and oversees the delivery of the Estates Programme, an area of significant expenditure for the Administration, jointly funded with the House of Commons. Until March 2015 the bicameral PICT Advisory Board (PICTAB) provided advice on the strategic management and prioritisation of the work of the Parliamentary ICT service and of ICT-related projects and programmes. At the beginning of 2015/16, PICTAB was replaced by the Digital Strategy Board following the establishment of the Parliamentary Digital Service at the same time. In November 2014 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 fourth Medium-Term Investment Plan agreed by the two Boards and is intended to improve joint planning of investment in Parliament's infrastructure and service

⁸ <http://www.parliament.uk/business/committees/committees-a-z/other-committees/house-of-lords-audit/>

improvement, including prioritisation between portfolios. In May 2015 both Management Boards agreed to establish a bicameral Investment Board, which is intended to improve coordination between ICT and Estates projects and planning in this area.

The Parliamentary Security Director (PSD) is responsible for the strategy, planning and overall delivery of security across the whole Parliamentary Estate. During 2015/16 the PSD will also assume responsibility for operational security in both Houses, following a review of the governance of security in Parliament, which was conducted at the end of 2014 (see below). The PSD chairs the bicameral Parliamentary Security Board, of which Black Rod (a Management Board member) is a member. The PSD attends Board meetings as required.

The bicameral Business Resilience Group, which is chaired by Black Rod, manages business resilience issues at a strategic level and provides assurance to the Clerks regarding this area (see below). The Business Planning Group is a sub-group of the Board, which advises it on issues relating to business planning, risk management and corporate governance.

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 18 times during 2014/15, including one awayday, two joint meetings and one joint awayday with the House of Commons Management Board. The attendance record of individual Board members is shown below.

<i>Board member</i>	<i>Meetings attended (/ total possible if not all 18 meetings)</i>
David Beamish (Clerk of the Parliaments and Chairman)	18
Edward Ollard (Parliamentary Services)	17
Simon Burton (Corporate Services)	18
Elizabeth Hallam Smith (Information Services)	18
David Leakey (Black Rod)	17
Carl Woodall (Support Services)	18
Andrew Makower (Finance)	18
Tom Mohan (Human Resources)	16
Joan Miller (Parliamentary ICT)	7/7 (Attended Board meetings until July 2014)
Matthew Taylor (Parliamentary ICT)	10/11 (Attended Board meetings from October 2014)
<i>In attendance</i>	
Ian Luder (Audit Committee external member)	9/13 (Attended Board meetings until December 2014)
Liz Hewitt (Audit Committee external member)	8/15 (Attended Board meetings from June 2014)

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 2013.⁹ This is supplemented by the annual Business Plan which is prepared before the beginning of each financial year. The Strategy sets out 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

⁹ <http://www.parliament.uk/documents/lords-information-office/2013/House-of-Lords-Strategic-Plan-2014-19.pdf>

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 Strategy is expected to be reviewed at the beginning of 2016.

Financial planning

Financial planning operates on an annual cycle, with a 3-year horizon, integrated with business planning and the public spending cycle. The House Committee is involved with the financial planning process throughout.

Savings

Delivering savings, including adherence to the target agreed in December 2010 not to increase resource costs in real terms, despite the increased size of the House. The House exceeded this ambition by a considerable margin, achieving a resource budget reduction of 15% over a four-year period, despite increased attendance by members.

Continuous Improvement

The two Houses also launched a bicameral Continuous Improvement (CI) initiative, beginning with pilot reviews in both Houses. Offices in the Lords were encouraged to look for CI opportunities in the course of the business planning round

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 including financial data in order to provide greater oversight of the impact of budgets on performance in different areas of the Administration. This system functions alongside the risk reporting system to provide an overall view of the work 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 2013/14. From the beginning of 2014/15 the format of the reports was changed to reflect the outcome of this review, the revised objectives in the Strategy for the Administration 2014–19, and recommendations in a separate Internal Audit report on the performance management framework.

Board effectiveness

Since 2014/15 the Management Board now holds two joint meetings with the House of Commons Management Board, usually in May and November, each year, to discuss areas of common concern including the Medium-Term Investment Plan. Joint awaydays with the House of Commons Management Board have also become regular annual events. The first awayday took place in February 2014, followed by a second in March 2015, which discussed the development of a Digital Strategy, among other things.

In July 2014, the Clerk of the Parliaments issued, for the first time, Letters of Delegation to Board members. In May 2015 a joint letter from the Clerk of the Parliaments and the Clerk of the House of Commons was issued to the Director of the Parliamentary Digital Service. During 2015/16 a revised joint letter will also be issued to the Parliamentary Security Director to reflect changes to the governance of security (see below).

In October 2014, the Management Board revised its Handbook, including the Board's Operating Framework, to reflect changes in the working practices of the Board since the Handbook was first adopted in October 2012.

Risk and Control Framework

Assurance Framework

As Accounting Officer I receive formal 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 from various 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 UK Public Sector Internal Audit Standards. An external quality review of the Internal Audit section was conducted in July 2014. The review's overall conclusion was that "the Internal Audit Service is generally in conformance with the Public Sector Internal Audit Standards". General Conformance is the second highest category in HM Treasury's Internal Audit Quality Assessment Framework. This was a satisfactory outcome; it is doubtful whether the Internal Audit section could achieve full conformance with the Standards because of differences between Parliament and other parts of the public sector. The review offered some useful suggestions for change which were subsequently worked into an action plan by the Head of Internal Audit.

During 2014/15 the Internal Audit section reviewed its joint working arrangements with the internal audit function in the House of Commons, which will continue in 2015/16.

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 2014/15. However, in doing so he also expressed some concern about cyber security, the management of projects and programmes within the Parliamentary Estates Department, and the current system of staff performance management. I have taken these concerns on board and expect to see progress in all three areas during 2015/16.

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 governance statements, 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. During each round a challenge process takes place, co-ordinated by the Board Secretary and the Head of Internal Audit, where I ask managers to provide more details where initial statements were unclear.

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 (see note 16 for details). 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 (see notes 1 and 4). I have obtained written assurance from the Metropolitan Police Service (MPS) concerning the probity of these charges. The Security Restructuring Programme (SRP) which is managing the transition to the new contractual arrangements, including insourcing of security officers, will review and implement appropriate charging mechanisms and assurance processes;
- Under the scheme for providing financial assistance to opposition parties – generally referred to as Cranborne Money – I have no direct control over the expenditure involved (see note 4) 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.

Review of corporate risks

On behalf of the Management Board, the Business Planning Group conducted a review of the Administration's corporate risks during 2014/15. As a result the Board agreed a number of changes to the corporate risks, which took effect at the beginning of 2015/16. These changes were noted by the Audit Committee in March 2015. The changes are summarised below:

- The ICT, Finance and Information risks were formally delegated by the Board to the Director of the Parliamentary Digital Service, the Finance Director and the Reading Clerk (in his capacity as the Senior Information Risk Owner), respectively. These postholders will be responsible for managing these delegated corporate risks across the Administration, including responsibility for bringing them to the notice of the Board if considered desirable;
- The Facilities risk was reconstituted as a 'Buildings & Facilities risk', including significant forthcoming developments such as Restoration and Renewal of the Palace of Westminster and the Millbank House Development;

- The creation of a new Governance risk, defined as ‘Failure to maintain effective governance arrangements between the Administration and members’, which is owned by the Clerk of the Parliaments.

The changes resulted in the reduction of the Board’s total number of corporate risks from eight to six. The intention was to allow the Administration to focus on the most significant risks to its core strategic aim of enabling the House and its members to carry out their parliamentary functions effectively. The six corporate risks are:

1. Governance
2. Security
3. Buildings & Facilities
4. Staff
5. Reputation
6. House of Commons

The Internal Audit section carried out a review of the Administration’s risk management arrangements which was completed in December 2014. The report provided moderate assurance on the strength of current governance arrangements and also made several recommendations for change. The Audit Committee considered the Internal Audit review in March 2015.

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

- To require more explicit reference to risk consequences in ad hoc papers to the Board;
- To consider further how effective the management of individual corporate risks is, including the format, approach to target risk and current assessments of exposure, and what improvements to the process might be made, including any training requirements;
- To reduce the overall length of the corporate risk register so that it provides a concise summary of the current risk landscape together with key control actions, informing the Board and providing a sound basis for decision making;
- To consider further the approach to Office risk reporting, including consideration of operational risks and the links between those risks and the agreed corporate risks, including any training requirements;
- To require risk owners to provide a costs estimate for any new actions proposed in risk reports to the Board;
- To alter the Business Planning Group’s terms of reference to codify the ongoing, continuous nature of the risk monitoring process. The Group will also build consideration of ‘black swan’ risks¹⁰ into an annual horizon scanning process;
- To consider with the House of Commons how to achieve a greater degree of alignment between each House’s risk management framework.

As a result of the review of corporate risks and the changes resulting from the Internal Audit review, the House of Lords *Risk Management Policy and Guidance* was updated and reissued at the beginning of 2015/16.

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.

¹⁰ Black swan risks can be characterised as extreme outliers with very low likelihood and very high impact.

Facilities risk

The Facilities risk was raised in October 2014 due to concerns about the management of safety on the parliamentary estate, notably in relation to contractors. The Board agreed a number of mitigations to manage this risk, which continues to be treated as a priority. The bicameral Parliamentary Safety Assurance Committee and Parliamentary Safety Team have provided updates to the Management Boards in both Houses regarding progress in this area. The Clerk of the Parliaments also emphasised the importance of safety across the Administration at the Management Seminar on 28 November 2014. Safety on the parliamentary estate was considered at a joint meeting of the Audit Committees in January 2015 which agreed to continue monitoring this area in 2015/16 due to its importance, including receiving an update at the joint meeting in July 2015.

Reputation risk

The Board agreed an amendment to the Reputation risk in November 2014, which changed the definition of the risk to focus more on matters under the control of the Administration. Some aspects of the Reputation risk entry in the corporate risk register, including those relating to members' lobbying activities and the size of the House, were removed accordingly. The Administration continues to take mitigating action where feasible, and works with the relevant domestic committees, to develop initiatives which might tackle such issues.

Information risk

Failure to manage information securely has been identified as a key area of risk in recent years. The Reading Clerk has responsibilities as Senior Information Risk Owner (SIRO) for mitigating the Administration's exposure to this risk. He is also the joint chair of the Data Security Group which focuses on the mitigation of this risk on a bicameral basis. The SIRO engages regularly with the House of Commons' SIRO, the Parliamentary Security Director, and the Director of the Parliamentary Digital Service. In providing assurance to me as Accounting Officer the SIRO has sought assurance in the area of information security from each House of Lords office and PICT.

New arrangements to formalise this work were agreed and took effect from 1 April 2015. This included the establishment of a Cyber Security Framework, including a Cyber Authority to take decisions on cyber security matters, referring to the two Management Boards as necessary. This body brings together the two SIROs, the Parliamentary Security Director, and the Director of the Parliamentary Digital Service in a more formal and accountable decision making process than has been the case in the past. In May 2015 a joint meeting of the Management Boards took note of the new arrangements and approved the creation of a Cyber Security Programme to implement a management action plan of improvements. Governance arrangements in this area will be reviewed by the end of 2015/16.

The SIROs already share best practice within the Government SIRO community and in conversation with The National Archives and CESG. During the year, Parliament has further embedded engagement with the UK wide system of GovCert alerts on live cyber security risks, which are acted on promptly (if not already previously implemented) by the Director of PDS in conjunction with the PSD.

The new Cyber Authority will be responsible for planning and coordinating work in response to a number of recent reviews which have suggested enhancements to Parliament's cyber security strategy, frameworks and activities.

The Information risk was delegated by the Board to the SIRO from 1 April 2015. The Board will still receive regular reports on cyber issues from PSD with input from the SIRO as part of regular security reporting but the current duplication will be removed.

As for action at Office level, all House of Lords Offices must ensure that information is handled appropriately. Assurance statements were received from each Office to confirm appropriate local action is being taken to safeguard against information loss and misuse. Over the period, there were few reported incidents, these were followed up and no systemic issues were identified. The Information Compliance team is working with PDS to simplify the loss reporting process to provide improved management information.

Registers of sensitive information assets are maintained by each Office. These detail the sensitive information held, the manner in which it is stored, the measures in place to secure it from unwarranted access and the way in which it is shared with external organisations. Offices reported that these registers were all up to date.

The increased use of mobile devices, including those personally owned, to access parliamentary information presents a challenge. A policy setting out staff responsibilities when using mobile devices to access parliamentary information was issued in November 2014. Applications for new connections are considered on a case-by-case basis and authorised by the relevant line manager and Office Information Security Coordinator.

Work to embed the accreditation process and develop Administration-wide awareness of the role of the Parliamentary Accreditor continues and the Continuous Improvement team has been invited to review the accreditation process. Online training is available to staff. Awareness campaigns run by the PSD and PDS (including the Good Digital Citizen Campaign) have been supported by the SIROs. Offices have identified third party risk as an issue and this will be given priority in 2015/16.

In conclusion, assurance can be provided that general awareness of information risk is increasing both at the corporate level and within Offices. But there is scope for continuing improvement and development as set out above.

Security

During 2014/15, the Parliamentary Security Director (PSD) has worked to ensure that the security of the Parliamentary Estate has continued to improve. I reported last year that the PSD had identified a number of issues relating the governance of security. Work has begun on implementing recommendations in the Jenkins review, and work is continuing on successor arrangements for Parliament's Special Services Agreement with the Metropolitan Police Service, which has been extended to 2016 (see below for more information). There has been one significant breach of security this year, but all major remedial actions relating to the security breach have been implemented. Whilst a number of substantial security risks cannot be eliminated, I am confident that the measures taken to deal with those risks are stable or improving and that the security of the parliamentary estate has been maintained and, in some respects, improved.

Business Resilience

Business resilience across Parliament, which is monitored by the bicameral Business Resilience Group (BRG), was developed and strengthened during 2014/15 by the following measures, among others:

- Parliament's business resilience plans have been accredited to the ISO22301:2012 standard. The British Standards Institution conducted an external audit in July 2014 and confirmed the successful accreditation in September 2014;
- The overall business resilience policy was updated and agreed by both Management Boards in December 2014;

- The Incident Management Framework (IMF) has been developed further, including guidance and training, as well as a live exercise. The IMF has been successfully used to respond to, and manage a range of incidents and their consequences, and 'lessons identified' reports from each of the incidents have helped to revalidate and further the IMF;
- Work has been undertaken in conjunction with the Parliamentary Estates Board to ensure an adequate level of technical and utility resilience;
- The Relocation Contingencies Programme is directed and managed using Managing Successful Programmes principles, and is governed by a programme board, which meets monthly. Regular updates have been provided to the Clerks, Management Boards and the BRG. A Gateway review is scheduled to take place in June 2015.

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 both Management Boards with assurance that there are adequate arrangements in place to discharge their responsibilities. In April 2015 it provided assurance reports for 2014/15 from all Offices across the Administration, which can be summarised as follows:

- Moderate assurance was provided regarding safety management on the Lords part of the estate and arrangements relating to low risk and routine activities. The evidence indicated weaknesses in the management of health and safety risks, but some emerging good practices were identified;
- Evidence indicated that for higher risk and non-routine activities, more significant failings were noted and therefore partial assurance was provided regarding the management of safety risks (see risk profile above);
- On 1 October 2014 the former Safety, Health and Wellbeing Service, hosted by the House of Commons, was replaced by two separate teams covering: Health and Wellbeing, and Parliamentary Safety.

Governance developments

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.¹¹ 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 appraisal of three high-level options for restoration and renewal of the Palace should be produced. In 2013 a consortium led by Deloitte Real Estate was appointed to undertake an independent options appraisal of requirements and of ways in which a programme of restoration might be undertaken. The options appraisal was published on 18 June,¹² and a decision will need to be taken by both Houses regarding the preferred option during 2015/16. Meanwhile the planning and delivery of essential works relating to the historic Palace has continued, including the "aggressive maintenance" programme of mechanical and electrical services, the replacement of the cast iron roofs on the South Return, and the programme of fire safety improvement works.

¹¹ <http://www.parliament.uk/documents/commons-commission/PED-Modernisation-Report-Oct12.pdf>

¹² <http://www.restorationandrenewal.parliament.uk/>

Parliamentary Procurement and Commercial Service

The unified Parliamentary Procurement and Commercial Service was launched on 1 April 2014. It provides a service for both Houses and PICT, and is being hosted by the Lords. In February and March 2015 new bicameral procurement and contract management rules for Parliament were agreed by both Management Boards. The Service is already delivering benefits, particularly in joined-up catering procurement

Parliamentary Estate

In May 2015, both Management Boards agreed that the Parliamentary Estate Board (a sub-committee of the two Boards) should be replaced by a Parliamentary Estates Forum, which will provide assurance to the House of Lords Director of Facilities on the performance of the Parliamentary Estates Directorate.

Parliamentary Digital Service

The House of Lords Management Board and the House of Commons Management Board agreed that a new Parliamentary Digital Service (PDS) should come into being from 1 April 2015. The PDS brings together the management of all online and ICT services into a single organisation under a Director of that Service, publicly accountable for delivering measurably rising levels of satisfaction with Parliament's digital services from members, staff and the public. We will work closely with the PDS and colleagues in the House of Commons Service to ensure that the new digital service is a success; to foster an integrated digital culture across the Administration; and to support transition from paper-based procedural publications and processes through the delivery of more effective digital services for members, staff and the public. We will also work to realise the benefits of technology and systems already in place with due regard to security.

Review of governance of security in Parliament

Pursuant to a report to the Clerks of the two Houses by Sir Paul Jenkins KCB QC, who undertook a review of security governance in Parliament, the House Committee and the House of Commons Commission agreed in 2014 that responsibility for every aspect of security should lie with the Parliamentary Security Director, as a single accountable security expert, and that the security officer work force, which is currently employed by the Metropolitan Police Service (MPS), should be brought in-house. Parliament will continue to work in strategic partnership with the MPS, which will retain responsibility for core functions of armed and unarmed policing. Implementing these decisions will require significant changes in security governance arrangements across Parliament, which will be delivered in 2015/16. In March 2015 the House Committee and Commission also agreed changes to the arrangements for member oversight of security, with the establishment of a Consultative Panel on Parliamentary Security to replace the Joint Committee on Security, from the beginning of the new Parliament.

Review of sharing ratios

Following a review of the cost-sharing ratios for services shared between the two Houses, both Management Boards agreed in June 2014 a new set of cost-sharing ratios for services, contracts and programmes shared (or joint) between the two Houses. The new system is much simpler and the changes were implemented with effect from 1 April 2015. They include a net transfer of costs from the Commons to the Lords and an increase in this House's stake in digital services (see note 16 for details).

Portfolio management

From 1 April 2015 the Portfolio Management team became a shared service, hosted by the House of Commons. It provides the Management Boards of both Houses with corporate oversight of the key projects and programmes across Parliament.

Review of shared services

Following a recommendation by the House of Commons Governance Committee, the Clerks of the two Houses agreed that a review of shared services would commence in mid-April 2015. This review will look at the operation of, and further opportunities for, joint services. Through discussions with staff in individual offices, the review will establish the facts about services in the two Houses (such as service levels, IT systems used, and number of staff). The findings will then be used by a review team to identify barriers to joint working and potential benefits that could be realised by closer working, or by providing services to both Houses jointly. The review will not seek to draw any conclusions about possible future shared services but will provide a factual basis for an initial discussion by the House Committee and House of Commons Commission at their first joint meeting in October 2015. The review is also intended to complement the work of the Leader's Group (see below) and will be conducted by an internal group with external support.

Leader's Group on House of Lords Governance

A Leader's Group was established on 23 March 2015 to consider governance arrangements in the House of Lords, chaired by Baroness Shephard of Northwold, which is expected to report by the Christmas recess. The Group will consider how to ensure that domestic committee decision-making in the House of Lords is effective, transparent and accountable. In particular, it will examine domestic committee decision-making structures, including which decisions go to which committee, or are referred between committees, and which decisions are remitted to the House; and consider what arrangements are necessary to uphold the interests of the House of Lords as an equal partner when making decisions alongside, or sharing services with, the House of Commons. The work of the Group will be supported by the Administration. Lord Turnbull, the outgoing Chairman of the Audit Committee, will also serve in the Group.

David Beamish

Clerk of the Parliaments and Accounting Officer

9 July 2015

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 2015. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the House of Lords and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Foreword 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 2015, 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 2015 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Financial Reporting Manual as applied by the House of Lords.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Financial Reporting Manual as applied by the House of Lords; 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

14 July 2015

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2014-15

		2014-15 £000			2013-14 £000				
		Estimate			Outturn				
SOPS Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/(excess)	Total	
Department Expenditure Limit									
- Resource	2.1	94,741	-	94,741	89,989	-	89,989	4,752	87,619
- Capital	2.2	18,442	-	18,442	14,993	-	14,993	3,449	11,809
Annually Managed Expenditure									
- Resource	2.1	5,691	-	5,691	4,452	-	4,452	1,239	5,440
- Capital		-	-	-	-	-	-	-	-
Total Budget		118,874	-	118,874	109,434	-	109,434	9,440	104,868
Non-Budget									
- Resource		-	-	-	-	-	-	-	-
Total		118,874	-	118,874	109,434	-	109,434	9,440	104,868
Total Resource	2.1	100,432	-	100,432	94,441	-	94,441	5,991	93,059
Total Capital	2.2	18,442	-	18,442	14,993	-	14,993	3,449	11,809
Total		118,874	-	118,874	109,434	-	109,434	9,440	104,868

Net cash requirement 2014-15

		2014-15 £000		2013-14 £000	
SOPS Note	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Total	
Net cash requirement	4	106,418	99,127	7,291	90,665

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 26 to 28 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 *Financial Reporting Manual (FReM)* issued by HM Treasury, as applied by analogy, by the House of Lords. 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 2014-15 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.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- Ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- Support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

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 as detailed below. A reconciliation of the outturn as recorded in the SoPS compared to the IFRS-based SoCNE is provided in SoPS note 3.

SOPS 1.aa 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.ab 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.

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

			2014-15 £000		2013-14 £000	
			Outturn	Estimate	Outturn	
				Net Total outturn compared with Estimate	Total	
	Gross	Income	Net Total	Net Total		
Spending in Departmental Expenditure Limit						
Voted:						
Administration	71,349	(5,971)	65,378	69,381	4,003	66,565
Works Services	25,633	(1,022)	24,611	25,360	749	21,054
Annually Managed Expenditure						
Voted:						
Administration	4,452	-	4,452	5,691	1,239	5,440
Total	101,434	(6,993)	94,441	100,432	5,991	93,059

SOPS2.2 Analysis of net capital outturn by section

			2014-15 £000		2013-14 £000	
			Outturn	Estimate	Outturn	
				Net Total outturn compared with Estimate	Total	
	Gross	Income	Net Total	Net Total		
Spending in Departmental Expenditure Limit						
Voted:						
Administration	814	-	814	1,042	228	958
Works Services	14,179	-	14,179	17,400	3,221	10,851
Annually Managed Expenditure						
Voted:						
Administration	-	-	-	-	-	-
Total	14,993	-	14,993	18,442	3,449	11,809

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

	31 March 2015 £000	31 March 2014 £000
Total resource outturn in Statement of Parliamentary Supply	94,441	93,059
Less: Capital income	-	-
Net Operating Cost in the Statement of Comprehensive Net Expenditure	94,441	93,059

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	100,432	94,441	5,991
Capital Outturn	18,442	14,992	3,450
Accruals to cash adjustments:			
<i>Adjustments to remove non-cash items:</i>			
Depreciation	(7,002)	(6,429)	(573)
New provisions and adjustments to previous provisions	(10,832)	(5,332)	(5,500)
Other non-cash items	(80)	809	(889)
<i>Adjustments to reflect movements in working balances:</i>			
Increase/(decrease) in inventories	15	47	(32)
Increase/(decrease) in trade and other receivables	300	(171)	471
(Increase)/decrease in trade and other payables	350	2,468	(2,118)
Movement in provisions	4,793	(1,769)	6,562
<i>Adjustment to remove the net book value of disposals</i>			
Net book value of the disposal of property, plant and equipment	-	1	(1)
Capital element of the payment in respect of on-balance sheet (SoFP) service concession contracts	-	70	(70)
Net Cash requirement	106,418	99,127	7,291

Financial Statements

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
Programme Costs			
Staff costs	3	26,073	24,619
Other costs	4	75,361	75,302
Income	5	(6,993)	(6,862)
Net Operating Costs		94,441	93,059
Total Expenditure		101,434	99,921
Total Income		(6,993)	(6,862)
Net Operating Costs		94,441	93,059
 Other Comprehensive Net Expenditure			
Net gain on revaluation of Property, Plant and Equipment	4, 6	(9,800)	(9,417)
Net loss/ (gain) on pension liabilities due to changes in actuarial assumptions	13.1	10,608	8,340
Total Comprehensive Expenditure		95,249	91,982

The notes on pages 33 to 57 form part of these accounts.

Statement of Financial Position

as at 31 March 2015

		31 March 2015		31 March 2014	
		£000	£000	£000	£000
	Note				
Non-current assets:					
Property, plant and equipment	6	473,658		454,436	
Intangible assets	7	193		172	
Total non-current assets:			473,851		454,608
Current assets:					
Inventories		229		182	
Trade and other receivables	10	1,373		1,544	
Cash and cash equivalents	11	416		262	
Total current assets:			2,018		1,988
Total assets:			475,869		456,596
Current liabilities:					
Trade and other payables	12	(7,625)		(9,935)	
Total current liabilities			(7,625)		(9,935)
Non-current assets plus net current assets			468,244		446,661
Non-current liabilities:					
Other payables	12	(168)		(242)	
Provisions	13.1, 13.2	(140,085)		(122,376)	
Total non-current liabilities			(140,253)		(122,618)
Assets less liabilities			327,991		324,043
Taxpayers' equity:					
General Fund		204,707		209,312	
Revaluation Reserve		123,284		114,731	
Total taxpayers' equity			327,991		324,043

David Beamish
Clerk of the Parliaments and Accounting Officer
9 July 2015

The notes on pages 33 to 57 form part of these accounts.

Statement of Cash Flows

for year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
Cash flows from operating activities			
Net operating cost		(94,441)	(93,059)
Adjustments for non-cash transactions	4	10,952	12,193
(Increase)/Decrease in trade receivables and other assets	10	171	(511)
(Increase)/Decrease in inventories		(47)	28
Increase/(Decrease) in trade payables and other liabilities	12	(2,538)	1,352
Less movement in payables not via SoCNE		70	(313)
Movement in provisions		1,769	1,181
Net cash outflow from operating activities		(84,064)	(79,129)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(14,903)	(11,824)
Purchase of intangible assets	7	(90)	(25)
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) Service Concession contracts		(70)	313
Proceeds from the disposal of property, plant and equipment		-	-
Net cash outflow from investing activities		(15,063)	(11,536)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		99,281	89,203
Net financing		99,281	89,203
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		154	(1,462)
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			
		154	(1,462)
Cash and cash equivalents at the beginning of the period	11	262	1,724
Cash and cash equivalents at the end of the period	11	416	262

The notes on pages 33 to 57 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 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		80	-	80
Movement in Reserves				
Recognised in Statement of Comprehensive Net Expenditure		(8,340)	9,417	1,077
Transfers between Reserves		1,217	(1,217)	-
Balance at 31 March 2014		209,312	114,731	324,043
Net Parliamentary Funding – drawn down		99,281	-	99,281
Net Parliamentary Funding – deemed		262	-	262
Supply payable adjustment		(416)	-	(416)
Comprehensive Net Expenditure for the Year		(94,441)	-	(94,441)
Non-Cash Adjustments				
Non-cash charges – auditor's remuneration	4	70	-	70
Movement in Reserves				
Recognised in Statement of Comprehensive Net Expenditure	13, 6	(10,608)	9,800	(808)
Transfers between Reserves		1,247	(1,247)	-
Balance at 31 March 2015		204,707	123,284	327,991

The notes on pages 33 to 57 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 2014-15 *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. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. 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) in 2014-15.

In 2014-15 ICT services were managed by the Parliamentary Information and Communication Technology (PICT) service for both Houses. Each House paid 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.

Following a review in 2014-15 a new, simpler system of cost-sharing ratios and charges was introduced with effect from April 2015. For more details see note 16.

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 2014-15 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 2014-15 by the VOA using a desktop valuation; the valuation date was 31 March 2015. 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 Great clock mechanism in the Elizabeth Tower, popularly known as 'Big Ben', and equipment in the Cromwell Green Entrance. The Great Clock was previously valued using appropriate indices at 31 March 2006. The cost of valuing the Great Clock outweighs the benefit provided, therefore there are no plans currently to re-value it.

iv. Other Non Current Assets

Other non current assets have been stated at current cost using appropriate indices where appropriate. For 2014-15 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.

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 2015.

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 18. 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 born-digital and digitised records. 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. Currently these are produced on Beta SX broadcast format tape media and to date have been stored for five years on site at 7 Millbank after which they were transferred to a specialist archive facility. 38,000 video tapes and 36,000 audio tapes are held in the collection. Audio dates from 1978 and the House of Commons video collection dates from 1989. In 2015 Parliament will begin the process of digitising the video tapes in order to preserve the content stored on the ageing video tapes. Audio tapes will continue to be held in storage.

The archive is valuable in an historical sense but is difficult to quantify in practice. The content is made freely available as duplicated copies on video tapes to anyone who orders it with a small fee applied to cover the costs of transfer. Consequently, the value for this archive is not included on 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	81 years
Other buildings	remaining life (between 20-38 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

Until 31 March 2015 present and past employees of the House of Lords were covered by the provisions of the House of Lords Staff Pension Scheme (HOLSPS) described in note 3. In these accounts the pension scheme was accounted for under the terms of *IAS 19 Employee Benefits*. The annual accruing cost of providing for future benefits was charged to the Statement of Comprehensive Net Expenditure and was 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. On 1 April 2015 the HOLSPS merged with the Civil Service Pension Scheme.

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:

	2014-15	2013-14
	£	£
History of Parliament Trust	522,720	522,720
Commonwealth Parliamentary Association UK Branch	510,960	505,260
British Group Inter-Parliamentary Union	321,840	341,820
British-Irish Parliamentary Assembly	50,220	50,220
British-American Parliamentary Group	33,000	33,000
	1,438,740	1,453,020

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 2014-15 the amount paid was £311,150 (2013-14 – £303,989). The balance held at the end of the financial year was £60,967 (2013-14 - £62,364).

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 2014/15* (HL Paper 140).

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	2014-15			2013-14		
	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
Clerk of the Parliaments	2,583	-	2,583	2,470	-	2,470
Parliamentary Services	9,369	(6)	9,363	9,135	(51)	9,084
Corporate Services	1,608	-	1,608	1,578	-	1,578
Support Services	32,672	(5,449)	27,223	31,445	(5,725)	25,720
Information Services	6,760	(23)	6,737	6,741	-	6,741
Financial Resources (inc. Members' allowances and expenses)	22,072	-	22,072	22,985	-	22,985
Security	10,707	(6)	10,701	11,194	(7)	11,187
Information and Communication Technology	6,433	-	6,433	6,579	-	6,579
Human Resources	1,344	(1,509)	(165)	952	(1,079)	(127)
Centrally held funds (inc pension interest cost)	7,886	-	7,886	6,842	-	6,842
Total	101,434	(6,993)	94,441	99,921	(6,862)	93,059
Total Assets			475,869			456,596
Total Liabilities			(147,878)			(132,553)
Net Assets			327,991			324,043

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, Information Office, and the Lords' share of certain shared services
- Financial Resources – Finance Department including Procurement Services and Members' allowances and expenses
- Security – Parliamentary security, including the Lords' share of the costs of Office of the Parliamentary Security Director and the Metropolitan Police, 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:

	2014-15	2013-14
	£000	£000
Wages and salaries	19,176	18,358
Social security costs	1,539	1,463
Other pension costs	5,907	5,399
Sub total	26,622	25,220
Less recoveries in respect of outward secondments	(549)	(601)
Total net cost	26,073	24,619

The House of Lords Staff Pension Scheme (HOLSPS) was an unfunded defined benefit scheme which operated 'by analogy' with the Principal Civil Service Pension Scheme (PCSPS) and the House of Lords met 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 2015. From 1 April 2015 the HOLSPS merged with the Civil Service Pension Scheme (CSPS) and during 2015-16 the liability will be transferred to the CSPS.

For 2014-15, employers' contributions of £3,011,357 (2013-14 – £2,620,193) were accrued at rates in the range 16.7-24.3% (2013-14 – 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 £63,279 (2013-14 – £40,064) 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% (2013-14 – 3-12.5%) of pensionable pay. Contributions due to the partnership pension providers at the Statement of Financial Position date were £nil (2013-14 – £nil). Contributions prepaid at that date were £nil (2013-14 – £nil).

2 persons (2013-14 three persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £3,213 (2013-14 £3,897).

The amounts in the preceding paragraphs are only in respect of staff of the House of Lords. Until April 2015, 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. Other pension costs includes some costs of administering the House of Lords Staff Pension Scheme.

Average number of persons employed

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

	2014-15	2013-14
House of Lords Administration	471	469

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

There were no exit or voluntary exit schemes in 2014-15. In 2013-14 the House of Commons ran a voluntary exit scheme 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.

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

	Note	2014-15 £000	2013-14 £000
Rentals under operating leases		266	653
Non-cash items			
Depreciation	6	6,284	6,544
Finance lease asset depreciation	6	76	25
Amortisation	7	69	65
Net (gain)/loss on disposal of property, plant and equipment		1	40
Net (gain)/loss on revaluation of property, plant and equipment		(880)	980
Auditor's remuneration		70	80
Interest cost on pension provision	13.1	5,360	4,467
Provision provided in year	13.2	-	28
Provision utilised during the year	13.2	(28)	(36)
<i>Total non-cash items</i>		<i>10,952</i>	<i>12,193</i>
Members' allowances and expenses		20,134	21,046
Financial Assistance for Opposition Parties		573	567
Security		9,856	10,001
Estates & Works expenditure		19,541	16,141
Printing and publications		2,016	2,186
IT and telecommunication costs		3,957	4,047
Grants	1.12	1,439	1,453
Catering & Retail Services direct costs excluding staff costs		1,913	1,976
Broadcasting, outreach and visitor services		1,962	2,067
Other expenditure		2,621	2,946
Service charge element of Finance Lease		115	20
Interest on Finance Lease		16	6
Total		75,361	75,302

The auditor's received no remuneration for non-audit work. In addition to the £572,717 (2013-14 £566,928) Financial Assistance for Opposition Parties above, staff costs of £66,617 (2013-14 £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). Further information on Members' Expenses and Financial Support, including the guide and details of payments made to Members, is available via www.parliament.uk.

5. Income

	2014-15 £000	2013-14 £000
Catering and Retail Services sales	4,427	4,286
Pension contributions and transfers in	1,509	1,079
Fees, charges and rental income	1,057	1,497
	6,993	6,862

Notes to the Resource Accounts – continued

6. Property, plant and equipment

	Land & Buildings excluding dwellings	Dwellings	Fixtures & Fittings	Information Technology	Plant & Machinery	Heritage Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2014	812,460	2,977	4,016	9,168	1,788	14,505	-	844,914
Additions	11,089	-	143	645	718	49	2,259	14,903
Disposals	-	-	(420)	(238)	-	-	-	(658)
Reclassification	(9,725)	-	-	-	-	-	9,725	-
Revaluations	24,505	394	-	-	-	-	-	24,899
At 31 March 2015	838,329	3,371	3,739	9,575	2,506	14,554	11,984	884,058
Depreciation								
At 1 April 2014	380,073	308	2,157	7,498	442	-	-	390,478
Charged in year	5,368	61	332	580	19	-	-	6,360
Disposals	-	-	(420)	(237)	-	-	-	(657)
Reclassification	(1,840)	-	-	-	-	-	1,840	-
Revaluations	14,166	53	-	-	-	-	-	14,219
At 31 March 2015	397,767	422	2,069	7,841	461	-	1,840	410,400
Net book value at 31 March 2015	440,562	2,949	1,670	1,734	2,045	14,554	10,144	473,658
Net book value at 31 March 2014	432,387	2,669	1,859	1,670	1,346	14,505	-	454,436
Asset Financing:								
Owned	440,562	2,949	1,670	1,495	2,045	14,554	10,144	473,419
Finance leased on balance sheet (SoFP) service concession arrangement	-	-	-	239	-	-	-	239
Carrying amount at 31 March 2015	440,562	2,949	1,670	1,734	2,045	14,554	10,144	473,658

Notes to the Resource Accounts – continued

Analysis of Land and Buildings	Land		Buildings		Assets Under Construction	Total
	Freehold	Long Leasehold	Freehold	Long Leasehold		
	£000	£000	£000	£000		
Cost or valuation						
At 1 April 2014	51,190	28,665	691,618	40,987	-	812,460
Additions	-	-	10,636	453	2,243	13,332
Disposals	-	-	-	-	-	-
Reclassification	-	-	-	(9,725)	9,725	-
Revaluations	5,600	414	17,439	1,052	-	24,505
At 31 March 2015	56,790	29,079	719,693	32,767	11,968	850,297
Depreciation						
At 1 April 2014	-	-	374,145	5,928	-	380,073
Charged in year	-	-	4,236	1,132	-	5,368
Disposals	-	-	-	-	-	-
Reclassification	-	-	-	(1,840)	1,840	-
Revaluations	-	-	13,995	171	-	14,166
At 31 March 2015	-	-	392,376	5,391	1,840	399,607
Net book value at 31 March 2015	56,790	29,079	327,317	27,376	10,128	450,690
Net book value at 31 March 2014	51,190	28,665	317,473	35,059	-	432,387

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 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		Total £000
	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	812,460
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 and buildings

The Parliamentary Estate was revalued during 2014-15 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 2015. The total value of the Palace as at 31 March 2015 was £941,627,800 (House of Lords share £376,651,120).

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 2015. The value of the antique furniture as at 31 March 2015 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 2015 was £728,761 (2013-14 - £712,875). 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 2015 was £81,179 (2013-14 - £56,179).

iv. Members' Robes

The value of the donated Members' Robes as at 31 March 2015 was £217,453 (2013-14 - £217,453).

Assets under Construction

During 2014-15 significant renovation commenced on two buildings with one of those buildings being transferred to 'assets under construction' due to its change of use; the NBV of the transfer is £7,885,000. To date capital expenditure incurred for the major overhaul for both buildings totals £2,243,000. Additionally £16,000 has been incurred for an IT AUC project.

Revaluation of the Parliamentary Estate

The revaluation exercise of property, plant and equipment during the year resulted in £9,800,000 of the revaluation gain being adjusted against the revaluation reserve, including the transfer between reserves (2013-14 – £8,201,000 gain) and a gain of £880,000 being charged to operating costs (2013-14 – £980,000 loss).

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.

	2014-15	2013-14
	£000	£000
Cost or valuation		
At 1 April	2,676	2,664
Additions	90	25
Disposals	(35)	(13)
Revaluation	-	-
At 31 March	2,731	2,676
Amortisation		
At 1 April	2,504	2,452
Charged in year	69	65
Disposals	(35)	(13)
Revaluation	-	-
At 31 March	2,538	2,504
Net book value at 31 March	193	172
Net book value at 1 April	172	212

8. Capital and other commitments*8.1 Capital commitments*

	31 March 2015	31 March 2014
	£000	£000
Contracted capital commitments at 31 March not otherwise included in these financial statements:		
Property, plant and equipment	12,753	7,540

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 2015 £000	31 March 2014 £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	1,196	1,207
	<hr/> 1,254	<hr/> 1,265
Buildings:		
No later than one year	-	461
Later than one year and not later than five years	-	1,844
Later than five years	-	3,227
	<hr/> -	<hr/> 5,532
Other:		
No later than one year	95	72
Later than one year and not later than five years	157	66
Later than five years	59	-
	<hr/> 311	<hr/> 138

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 Telent Technologies, previously known as Telindus.

The IT Network Service Contract is a four and a half year contract shared with the House of Commons 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 2015 £000	31 March 2014 £000
Rentals due within one year	86	85
Rentals due later than one year and not later than five years	178	265
Rentals due later than five years	-	-
	<hr/> 264	<hr/> 350
Less interest element	(22)	(38)
Present value of obligation	<hr/> 242	<hr/> 312

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

	31 March 2015 £000	31 March 2014 £000
Service charges due within one year	139	116
Service charges due later than one year and not later than five years	262	357
Service charges due later than five years	-	-
	<hr/> 401	<hr/> 473

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 £114,809 (2013–14: £20,000).

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 2015		31 March 2014	
	Loans and receivables £000	Other financial liabilities £000	Loans and receivables £000	Other financial liabilities £000
Assets				
Trade receivables	580	-	493	-
Cash and cash equivalents	416	-	262	-
Liabilities				
Trade and other payables	-	7,135	-	9,602

10. Trade receivables and other current assets

	31 March 2015 £000	31 March 2014 £000
Amounts falling due within one year:		
Trade receivables	580	493
Deposits and advances	109	116
Prepayments and accrued income	441	480
VAT	243	455
	1,373	1,544

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 2014	262
Net change in cash and cash equivalent balances	154
Balance at 31 March 2015	416

	31 March 2015 £000	31 March 2014 £000
The following balances were held at:		
Government Banking Service	132	75
Commercial banks and cash in hand	284	187
Balance at 31 March	416	262

I2. Trade payables and other current liabilities

	31 March 2015 £000	31 March 2014 £000
Amounts falling due within one year		
Trade payables	2,836	4,518
Other payables	1,839	2,349
VAT	-	-
Accruals and deferred income	2,460	2,735
Amounts issued from the Consolidated Fund for supply but not spent at year end	416	262
Current part of imputed finance lease element of on-balance sheet (SoFP) service concession arrangements	74	71
	7,625	9,935
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	168	242
	168	242

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

13. Provisions for liabilities and charges

13.1 Pension Liability

Overview

The House of Lords Staff Pension Scheme (HOLSPS) was an unfunded defined benefit scheme 'by analogy' to the Principal Civil Service Pension Scheme (PCSPS). The pension scheme generated 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. From 1 April 2015 the HOLSPS merged with the Civil Service Pension Scheme (CSPS) and the liability transferred to the CSPS.

Benefits provided

Until the merger with the CSPS on 1 April 2015 pension benefits were provided through the House of Lords Staff Pension Scheme (HOLSPS). From 30 July 2007, staff could 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 were 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 2015</i>				
Active	141	9	133	246
Deferred	171	5	53	46
Pensioners	365	7	40	2

Employer and employee contributions are dependent on salary bands. For 2014-15 the employer contributions were accrued in the range of 16.7-24.3% (2013-14 – 16.7-24.3%) and employee contributions ranged from 1.5% to 8.85% (2013-14 – 1.5-8.25%).

Members joining from October 2002 could 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.

Notes to the Resource Accounts – continued*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.

Until April 2015, by agreement between the House of Commons and the House of Lords, the whole pension liability of employees within shared services fell 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 2014-15 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 2015 by the Government Actuary's Department in accordance with the Financial Reporting Manual (FreM).

(i) Present value of the scheme liabilities

	2014-15 £000	2013-14 £000	2012-13 £000	2011-12 £000	2010-11 £000
Liabilities in respect of:					
Active members	76,469	62,691	58,386	53,514	51,528
Deferred Pensioners	14,841	12,550	9,534	8,729	8,020
Current Pensioners	48,775	47,107	40,440	39,438	37,338
Total present value of the scheme liabilities	<u>140,085</u>	<u>122,348</u>	<u>108,360</u>	<u>101,681</u>	<u>96,886</u>

(ii) Analysis of movement in scheme liability

	2014-15 £000	2013-14 £000
Value of liabilities at 1 April	122,348	108,360
Current service cost	3,983	3,912
Employee contributions	1,092	965
Interest on scheme liability	5,360	4,467
Net pension transfers in/(out)	122	(15)
Benefits payable	(3,428)	(3,681)
Past service costs	-	-
Actuarial (gain)/loss	10,608	8,340
Balance at 31 March	<u>140,085</u>	<u>122,348</u>

(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(2014)09) issued in December 2014.

	31 March 2015 %	31 March 2014 %
The CPI inflation assumption	2.20	2.50
The rate of increase in salaries	4.20	4.50
The rate of increase for pensions in payment and deferred pensions	2.20	2.50
The rate used to discount scheme liabilities	3.55	4.35

Notes to the Resource Accounts – continued*(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.

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

	As at March 2015		As at March 2014	
	Male (years)	Female (years)	Male (years)	Female (years)
Current pensioners	29.1	31.3	29.0	31.2
Future pensioners*	31.4	33.6	31.3	33.5

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

	As at March 2015		As at March 2014	
	Male (years)	Female (years)	Male (years)	Female (years)
Current pensioners	24.2	26.4	24.1	26.2
Future pensioners*	26.9	29.0	26.8	28.9

* Illustrative life expectancies at ages 60 and 65 for future pensioners as at 31 March 2014 and 31 March 2015 are based upon members aged 40 at these dates.

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

	2014-15 £000	2013-14 £000
Current service cost*	3,983	3,912
Interest costs (note 4)	5,360	4,467
Past service costs	-	-
	9,343	8,379

* included within "other pension costs", note 3

(vi) Analysis of actuarial (gain)/loss

	2014-15 £000	2013-14 £000
Experience (gains)/losses arising on scheme liabilities	(2,663)	(1,231)
Changes in assumptions underlying the present value of the scheme liabilities	13,271	9,571
	10,608	8,340
Cumulative total actuarial loss/(gain)	48,705	38,097

(vii) History of (gains) and losses

	2014-15	2013-14	2012-13	2011-12	2010-11
Experience (gains)/losses on liabilities					
Amount £000	(2,663)	(1,231)	(137)	(3,635)	(3,791)
Percentage of the present value of the scheme liabilities at year end	(1.9%)	(0.1%)	(0.1)%	(3.6)%	(3.9)%

(viii) Estimate of contributions expected to be paid into the scheme over the year 1 April 2015 to 31 March 2016

The HOLSPS merged with the CSPS from 1 April 2015, so no contributions will be paid to the HOLSPS after this date.

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 2015 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%	+£3.5 million
(ii) in excess of prices: ½% a year	+7.0%	+£9.8 million
<i>Pensioner mortality</i>		
(iii) pensioners living (on average) 1 year longer	+2.5%	+£3.5 million
<i>Discount rate</i>		
(iv) increase in the discount rate of ½%	-9.5%	-£13.3 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 7.0%. 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 9.5%.

13.2 Other Provisions – Voluntary Exit Scheme and Dilapidation Provision

No provisions were made in 2014-15. In 2013-14 the House of Lords provided £28k for the House's contribution towards shared costs relating to the departure and other related costs of staff of shared services. This provision was utilised in 2014-15.

	2014-15	2013-14
	£000	£000
Value of liabilities at 1 April	28	36
Provided in the year	-	28
Provision written back	-	-
Provision utilised during the year	(28)	(36)
Balance at 31 March	-	28

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 2014	Increase in year	Liabilities crystallised in year	Obligation expired in year	At 31 March 2015
	£000	£000	£000	£000	£000
Works of Art on loan from various collections	11,784	-	-	-	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 2015 (2013-14 – £ 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%
Parliamentary Procurement and Commercial Service	30%	70%

The House of Commons incurred expenditure of £41,597,000 (2013-14 - £36,037,000) on behalf of the House of Lords during 2014-15. 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 £1,497,000 (2013-14 - £3,509,000 owed to House of Commons by the House of Lords). The House of Lords incurred expenditure of £1,028,000 (2013-14 - £572,000) on behalf of the House of Commons during 2014-15. At the financial year end the amount owed to the House of Lords by the House of Commons was £144,000 (2013-14 - £129,000).

In 2014-15 there was a review of the cost-sharing ratios for services shared between the two Houses and a new set of cost-sharing ratios was agreed. The new system is much simpler, with a default ratio of 70:30 (HoC:HoL) applying, except in the cases of Estates and Works and the Parliamentary Archives which retain the current ratios, and pension costs being recharged. The changes were implemented with effect from 1 April 2015 and will result in a net transfer of costs from the Commons to the Lords (approx. £3m per year) and an increase in Lords' stake in digital services.

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.

There were no 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. 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 2014-15 amounted to £4,380,442 (2013-14 - £4,242,638). The Banqueting and Retail operations made a net contribution of £990,219 (2013-14 - £985,352) to the costs of Catering and Retail Services. In 2014-15 the net overall cost, including staff costs, costs of goods sold, and directly attributable overheads, amounted to £1,348,673 (2013-14 - £1,452,258).

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.

	2014-15 £000	2013-14 £000
Opening balance of Fund at 1 April	28	74
Add receipts: Grant for Works of Art Collection Fund	-	-
	28	74
Less: Purchases during the year (see below)	8	46
Closing Balance of Fund as at 31 March	20	28

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

Description	£
Portrait of Reginald Manningham-Buller, 1 st Viscount Dilhorne <i>Oil on canvas by Alice Mary Burton</i>	6,700
Portrait of Lord Steel of Aikwood <i>Oil on canvas by Anthony Oakshett</i>	1,000
Henry Peter Brougham, 1 st Baron Brougham and Vaux <i>Plaster figurine</i>	750
Total	8,450

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.

On 1 April 2015 the House of Lords Staff Pension Scheme merged with the Civil Service Pension Scheme (CSPS) and during 2014-15 the liabilities will be transferred to the CSPS. A payment on account in relation to this was made on 1 July 2015.

Remuneration Report 2014-15

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 2014-15 members were as follows:

- David Beamish – Clerk of the Parliaments
- Edward Ollard – Clerk Assistant
- Simon Burton – Reading Clerk
- 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 (*until 11 September 2014*)
- Matthew Taylor – Director of Parliamentary Information Communications and Technology (*from 12 September 2014*)

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 2014-15 was £175-180,000 (2013-14: £175-180,000). This was 6.2 times (2013-14: 6.7) the median remuneration of the workforce, which was £28,564 (2013-14: £26,635).

In 2014-15 nil (2013-14, nil) employee received remuneration in excess of the highest-paid director. Remuneration ranged from £16,854 to £180,000 (2013-14: £16,368-£180,000).

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 2014-15 – 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)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
David Beamish	175-180	175-180	N/A	N/A	-	-	46	7	220-225	180-185
Edward Ollard	110-115	105-110	0-5	0-5	-	-	70	13	180-185	125-130
Simon Burton	85-90	5-10 (80-85 full year equivalent)	0-5	0-5	-	-	96	(3)	185-190	5-10 (80-85 full year equivalent)
David Leakey	90-95	90-95	0-5	0-5	8	8	34	34	135-140	130-135
Thomas Mohan	80-85	80-85	0-5	0-5	-	-	30	7	115-120	90-95
Andrew Makower	80-85	80-85	0-5	0-5	-	-	30	7	115-120	90-95
Elizabeth Hallam Smith	105-110	105-110	0-5	0-5	-	-	37	7	145-150	115-120
Carl Woodall	95-100	95-100	0-5	0-5	-	-	41	42	140-145	140-145
Joan Miller (until 11 th September 2014)	180-185 (100-105 full year equivalent)	100-105	0-5	0-5	-	-	21	21	200-205	120-125
Matthew Taylor (from 12 th September 2014)	45-50 (90-95 full year equivalent)	N/A	0-5	N/A	-	N/A	39	N/A	85-90	N/A
Rhodri Walters (retired 28 th February 2014)	N/A	95-100 (105-110 full year equivalent)	N/A	0-5	-	-	-	(1)	N/A	100-105 (105-110 full year equivalent)

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 2014-15 relate to performance in 2013-14 and the comparative NCPRPs reported for 2013-14 relate to performance in 2012-13. 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 2014-15 the taxable benefit for the residence was £8,484 (2013-14: £8,083).

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. Joan Miller left the House service on 11 September 2014. Matthew Taylor was appointed as Acting Head of Parliamentary Information Communications and Technology and was also given a standing invitation to attend the Management Board. Joan Miller received a negotiated settlement payment as compensation for the loss of office of £135,000-£140,000, which is included in the salary figures.

Remuneration Report 2014-15 – continued

Pensions

The pension benefits of the Management Board were as follows:

	Accrued pension and related lump sum at 31/3/15 £000	Real increase in pension and related lump sum at 31/3/15 £000	CETV at 31/3/15 £000	CETV at 31/3/14 £000	Real increase/(decrease) in CETV £000
David Beamish	90-95 <i>Plus lump sum of 270-275</i>	2.5-5.0 <i>Plus lump sum of 7.5-10</i>	2,048	2,002	45
Edward Ollard	40-45 <i>Plus lump sum of 130-135</i>	2.5-5.0 <i>Plus lump sum of 10-12.5</i>	880	779	60
Simon Burton	30-35 <i>Plus lump sum of 90-95</i>	2.5-5.0 <i>Plus lump sum of 12.5-15</i>	522	427	70
David Leakey	5-10 <i>Plus lump sum of N/A</i>	0-2.5 <i>Plus lump sum of N/A</i>	147	107	26
Thomas Mohan	30-35 <i>Plus lump sum of 100-105</i>	0-2.5 <i>Plus lump sum of 2.5-5</i>	669	612	25
Andrew Makower	30-35 <i>Plus lump sum of 95-100</i>	0-2.5 <i>Plus lump sum of 2.5-5</i>	609	556	23
Elizabeth Hallam Smith	45-50 <i>Plus lump sum of 140-145</i>	0-2.5 <i>Plus lump sum of 5-7.5</i>	1,018	984	34
Carl Woodall	10-15 <i>Plus lump sum of N/A</i>	2.5-5 <i>Plus lump sum of N/A</i>	217	174	19
Joan Miller (until 11 th September 2014)	15-20 <i>Plus lump sum of N/A</i>	0-2.5 <i>Plus lump sum of N/A</i>	363	338	19
Matthew Taylor (from 12 th September 2014)	15-20 <i>Plus lump sum of 45-50</i>	0-2.5 <i>Plus lump sum of 5-7.5</i>	295	251	31

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 6.85% of pensionable earnings for **classic** and 3.5% and 8.85% for **premium, classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years 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 2014-15 – *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**.

New career average pension arrangements will be introduced from 1 April 2015 and the majority of **classic**, **premium**, **classic plus** and **nuvos** members will join the new scheme. Further details about the Civil Service pension arrangements are available at www.civilservicepensionscheme.org.uk

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

9 July 2015