



HOUSE OF LORDS

Resource Accounts 2015/16

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Foreword to the Accounts

Scope

The House of Lords Administration presents the accounts of the House of Lords for the financial year ended 31 March 2016. 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 Administration staff costs, 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 effectively¹. 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 policy.

Corporate Publications

The Resource Accounts should be read in conjunction with the House of Lords Administration *Annual Report*² which contains further details on the activities of the House of Lords during 2015-16. The Annual Report includes information relating to the implementation of the business plan, the Audit Committee Annual Report for 2015-16, the Sustainability Report, the Diversity and Corporate Responsibility report, information on House of Lords staff, and performance and activity indicators.

¹ House of Lords Administration Strategic Plan 2014–19: www.parliament.uk/documents/lords-committees/house/Papers/2013-14/180613/StrategicPlan2014-19.pdf

² House of Lords Administration Annual Report 2015/16: www.parliament.uk/business/lords/house-lords-administration/how-the-lords-is-run/business-and-financial-information/business-plans-annual-reports-and-accounts/

The *House of Lords Business Plan 2015/16* (HL Paper 150)³ 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. The *House of Lords Business Plan 2016/17* was published in July 2016.

Financial Review

Financial remit and savings

The House of Lords Administration is subject to a financial remit. It dates back to 2010 and is included in the *Business Plan*. It 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 financial remit implies a resource control total consisting of the 2010-11 resource budget (£102m) inflated by September’s 12-month CPI; this lead to a resource control total of £118m for 2015-16. Adjusting for exceptional and technical accounting items, the Administration has met this financial remit.

Table 1 - Resource costs compared to revised baseline

	2015-16 Outturn £m	2014-15 Outturn £m	% change
Net operating costs	96.0	94.4	1.7
Technical accounting adjustments			
Property revaluation (loss)/gain	(3.6)	0.9	
Underlying Resource expenditure before technical accounting adjustments	92.4	95.3	(3.0)
Resource baseline (revised)	118.0	117.0	

The 2015-16 annual valuation of the Parliamentary Estate resulted in a net gain on revaluation of property, plant and equipment of £67.0m. A loss on the valuation of £3.6m was charged to net operating costs, and a gain on revaluation of land and buildings of £70.6m was credited to the revaluation reserve.

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 of £9.8m was credited to the revaluation reserve.

Comparison of the 2015-16 outturn with the 2015-16 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 2015-16 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.

³ House of Lords Business Plan 2015/16: www.parliament.uk/documents/lords-information-office/2015/HoL-Business-Plan-2015-16.pdf

The House of Lords Administration's outturn on net total resource (DEL and AME) for 2015-16 was £96.0m, recognising a £8.1m underspend against the revised Estimate of £104.1m, which included a Supplementary Estimate.

Table 2 – Estimate against outturn

	2015-16	2015-16	Variance	
	Estimate £m	Outturn £m	£m	%
Resource DEL	99.4	92.4	7.0	7.0
Resource AME	4.7	3.6	1.1	23.4
Net resource requirement	104.1	96.0	8.1	7.8
Capital DEL	29.0	26.1	2.9	10.0
Net cash requirement	241.7	213.3	28.4	11.8

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

- Resource DEL
 - Some reserve budgets, held centrally, were not used contributing £3.0m to the under spend;
 - A non-cash year end adjustment relating to annual valuation of the Parliamentary Estate was £1.4m less than budgeted;
 - Members' attendance claims were under budget by £0.7m due to the sitting pattern of the House;
 - Staff costs were under budget by £0.6m due to vacancies and related costs; and
 - Other costs were £1.3m less than expected across a variety of areas including ICT, shared services with the House of Commons, other external services, and printing and publication costs.
- Resource AME
 - A non-cash year end adjustment relating to annual valuation of the Parliamentary Estate was £1.1m less than budgeted.
- Capital expenditure
 - Estates related spend was underspent by £1.4m due to the re-profiling of projects;
 - £0.9m of the capital underspend was due to re-prioritisations relating to a variety of ICT programmes and projects including the AV and the unified communications programmes;
 - £0.6m less than budgeted was spent on IT assets.

Cash

The net cash requirement used was £213.3m against the Estimate limit of £241.7m. The variance of £28.3m comprises £20m relating to the transferring of the liabilities relating to the *House of Lord Staff Pension Scheme (HOLSPS)* to the Cabinet Office (see below), a capital underspend of £2.9m, the cash equivalent resource underspend of £2.8m and a change in working capital at the year-end of £2.6m.

Net Assets

Net assets employed by the House of Lords increased by £189.3m to £517.3m. The increase is a result of an increase in non-current assets of £86.7m primarily due to property revaluations, a decrease in non-current liabilities of £100.0m relate to the transferring of the liabilities of the *House of Lord Staff Pension Scheme (HOLSPS)* to the Cabinet Office, and an increase in working capital of £2.6m.

House of Lords Estimate

The House of Lords is funded by Supply Estimates, the means by which authority is sought from Parliament for spending. The House of Lords budget for 2016-17 was agreed by the House Committee in December 2015. 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 2016. The Main Estimate was published in April 2016 and is normally authorised by Parliament in July, when the Appropriation Act is passed.

Significant events during the financial year

Parliamentary Digital Service

On 1 April 2015 the 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 Houses⁴ 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 liabilities associated with the *House of Lords Staff Pension Scheme (HOLSPS)* transferred to the Cabinet Office and the Civil Service pension arrangements. Up to 31 March 2015 present and past employees of the House of Lords were covered by the provisions of the *HOLSPS*. The *HOLSPS* was a 'by analogy' scheme and followed the rules of the *Principal Civil Service Pension Scheme*. The scheme was an unfunded defined benefit scheme and in line with HM Treasury guidance it was accounted for in the House of Lords Resource Accounts. The Statement of Financial Position as at 31 March 2015 included a provision against which future pension benefits would be charged when paid. The transfer of the pension liability should make management of the House of Lords' estimate simpler as the volatility surrounding pension valuations, market sensitivities and changing demographic assumptions are removed.

During 2015-16 the process began for making a transfer payment to the Cabinet Office covering the liabilities of the *HOLSPS*. In advance of a final valuation an initial estimate provided by the Government Actuary's Department led to an interim payment on account of £100m being paid. The valuation process will continue into 2016-17. 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 *HOLSPS* 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 and new life peers were created⁵.

Restoration and Renewal of the Palace of Westminster

On 18 June 2015, an Independent Options Appraisal (IOA) for the Restoration and Renewal of the Palace of Westminster was published by an independent consortium led by Deloitte Real Estate and including AECOM and HOK. A Joint Committee on the Palace of Westminster was appointed to

⁴ Under the Parliament (Joint Departments) Act 2007

⁵ As at 31 March 2016 795 Members were eligible to sit; 784 as at 31 March 2015

consider the Restoration and Renewal of the Palace of Westminster. The Joint Committee was appointed by the House of Commons on 16 July and by the House of Lords on 20 July. The Committee has twelve members (six from each House). The Committee will publish its report on its review of the IOA, and put forward a recommendation on a preferred way forward to both Houses. Members of both Houses are then expected to make a decision in principle on a preferred way forward for carrying out the Restoration and Renewal Programme. House of Lords contribution to date for the programme is £5.4m (2014-15: £2.3m). The majority of costs associated to the programme have been treated as capital (£4.7m capital, £0.7 m resource) due to the direct link to the asset. More details are available via the Parliamentary website⁶.

Leader's Group

A Leader's Group on Governance was appointed to consider the governance arrangements in the House of Lords and to "consider how to ensure that domestic committee decision-making in the House of Lords is effective, transparent and accountable." It was chaired by Baroness Shephard of Northwold and its report was published on 14 January 2016⁷. The report recommended:

- A senior committee to set the strategy of the House and the Administration and to monitor the performance of the Administration against agreed targets.
- Two supporting committees, one dealing with all aspects of services for members to be called the 'Services Committee'; the other a Finance Committee.
- Two new posts: a chair for each of the Services Committee and the Finance Committee, and changes to the role of the Chairman of Committees.

A debate on the report was held on 9 May 2016 and a report on implementing the recommendations was published on 6 July 2016⁸. The changes are expected to take effect in autumn 2016.

Important events since the financial year end

Parliamentary Security

The Director of Security for Parliament has strategic responsibilities for physical, personnel and cyber security. On 29 January 2016 responsibility for the day-to-day delivery of physical and personnel operational security transferred from the Serjeant at Arms (House of Commons) and Black Rod to the new Parliamentary Security Department (PSD). Specialist staff have been recruited to PSD in order to deliver expert advice to members, staff and contractors. A new Special Services Agreement with the Metropolitan Police Service commenced on 1 April 2016 and the MPS civilian workforce transferred to become PSD staff on the same date.

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 2015-16 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 21).

⁶ www.parliament.uk/business/committees/committees-a-z/joint-select/joint-committee-on-the-palace-of-westminster/

⁷ www.publications.parliament.uk/pa/ld201516/ldselect/ldleader/81/81.pdf

⁸ www.publications.parliament.uk/pa/ld201617/ldselect/ldhouse/19/19.pdf

Members of the House of Lords (except certain office holders) do not receive a salary or pension 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 2016 the eligible salaries were as follows:

Lord Speaker	£102,101
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 basis⁹.

Lords Office Holders may elect not to claim their full salary or Lords Office Holders Allowance. They may also opt out of the *Parliamentary Contributory Pension Fund*.

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 2015-16 has been based on continuous monitoring of payments throughout the year and 96.6% (2014-15 93.7%) of payments made by the House of Lords met the policy criteria.

Auditor

The Comptroller and Auditor General is Head of the National Audit Office (NAO), the external auditor for the House of Lords. The notional audit fee for 2015-16 was £67,000 (2014-15 – £70,000). The auditor was not remunerated for any further assurance or advisory services.

So far as I am aware, there is no relevant audit information of which the NAO are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the NAO are aware of any such information. I confirm that the House of Lords Resource Accounts as a whole are fair, balanced and understandable and that I take personal responsibility for the accounts and the judgments required for determining that they are fair, balanced and understandable.

David Beamish
Clerk of the Parliaments and Accounting Officer

12 July 2016

⁹ As with other Members of the House of Lords, Office Holders can also claim travel expenses from their registered residential address to Parliament. Details are available at www.parliament.uk/mps-lords-and-offices/members-allowances/house-of-lords/holallowances/

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 Laming, 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 from the Administration 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 Report was published in July 2015¹⁰ and assesses the achievement of the objectives in the 2014/15 Business Plan. The Business Plan for 2015/16, which incorporated the Financial Plan and the Medium-Term Investment Plan, was published in March 2015.¹¹ The Annual Report for 2015/16 will be published in July 2015.

The House Committee met six times during 2015/16. This included, for the first time, a joint meeting with the House of Commons Commission in February 2016, which discussed the security of Parliament, including cyber security. Such a joint meeting was recommended by the House of Commons Governance Committee in 2014 and was also endorsed by the report of the Leader's Group on Governance in January 2016 (which is covered in more detail at the end of this Statement). The next joint meeting will take place in 2016/17. Further details of the work of the House Committee, including minutes, agendas and attendance, are published on the Parliamentary website.¹²

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 control. The Committee also provides advice on risk management, financial good practice, value for money and governance.

¹⁰ www.parliament.uk/documents/lords-information-office/2015/HouseofLords-Annual-Report-201415.pdf

¹¹ www.parliament.uk/documents/lords-information-office/2015/HoL-Business-Plan-2015-16.pdf

¹² 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 Administration's Annual Report (see above). The Report sets out the work undertaken by the Committee during the year and the internal and external audit work considered by the Committee.

The Committee met four times in 2015/16 (in July, September and November 2015 and January 2016) and met jointly with the House of Commons Administration Estimate Audit Committee twice (in September 2015 and January 2016). Attendance of Audit Committee members is set out in the Audit Committee Annual Report. Minutes, agendas and attendance for meetings are published on the Parliamentary website.¹³ 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.

Following the Committee's meeting in July 2015, Baroness Cohen of Pimlico became the new chair in succession to Lord Turnbull, who was replaced as a member of the Committee by Baroness Fritchie. The remaining Committee members remained constant during 2015/16. Details of the remuneration of the external members of the Audit Committee, Liz Hewitt and John Beckerleg, are in the Audit Committee's Annual Report and their biographies are also available on the website.

An external review of the Committee's effectiveness, which was conducted by Mazars LLP, took place at the beginning of 2015. The results of the external review were considered by the Committee in July and September 2015, and a number of changes were made to the Committee's working practices as a result. This included changes to meeting agendas, closer liaison with the National Audit Office and chair of the Commons Audit Committee, and regarding the future recruitment of external members, among other things. Another outcome of the review was the attendance of Committee members (alongside members of the House of Commons Administration Estimate Audit Committee) at a training session, which was provided by the Civil Service College in March 2016. The undertaking of periodic internal and external effectiveness reviews by audit committees, as well as the provision of training to its members, represents best practice in the private and public sectors. The status of the external review's recommendations will be followed up by the Committee at its meeting in October 2016 and further training opportunities will be pursued in due course.

Management Board

The House of Lords Management Board provides collective leadership and takes strategic and corporate decisions for the House Administration within the policy and financial framework set by the House Committee. The Board is chaired by me and meets regularly during the year, usually once a month. The other eight members of the Board are the directors of key functions in the House of Lords (one being the Director of the Parliamentary Digital Service, a joint department of both Houses of Parliament). The longer-serving external member of the Audit Committee, Liz Hewitt, is invited to 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-committees, the membership of which includes representatives from the Management Board. These are set out in the table below:

¹³ www.parliament.uk/business/committees/committees-a-z/other-committees/house-of-lords-audit/

Board or Group	Status	Role
Digital Strategy Board	Joint sub-committee of the Lords Board and Commons Executive Committee (ExCo)	The Digital Strategy Board (DSB) was established at the beginning of 2015/16, shortly after the Parliamentary Digital Service came into being. The DSB is chaired by me and provides high level oversight of the Digital Service and support to its Director on strategy and performance, among other things.
Joint Investment Board	Joint sub-committee of the Lords Board and Commons ExCo	The Joint Investment Board (JIB), which is chaired by the Director General of the House of Commons, began meeting in July 2015. The JIB is responsible for developing the Medium-Term Investment Plan, for bicameral digital and estates expenditure, through a yearly prioritisation exercise, and makes recommendations to both Houses accordingly.
Business Resilience Group	Joint sub-committee of the Lords Board and Commons ExCo	The bicameral Business Resilience Group, which is chaired by Black Rod, manages business resilience issues at a strategic level and provides joint assurance to me and to the Clerk of the House of Commons regarding this area.
Business Planning Group	Sub-committee of the Lords Board	The Business Planning Group is a sub-group of the Board and is chaired by the Reading Clerk. The Business Planning Group advises the Board on issues relating to business planning, risk management and corporate governance.

The Director of Security for Parliament (DSP) is responsible for the strategy, planning and overall delivery of security across the Parliamentary Estate. In January 2016 the DSP assumed responsibility for day-to-day security of both Houses, following a review of the governance of security in Parliament, which was conducted at the end of 2014. The DSP holds the Lords security budget, owns the corporate security risk and attends Board meetings as required.

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

The Board met 17 times during 2015/16, including one awayday and two joint meetings with the House of Commons Executive Committee.¹⁴ The attendance record of individual Board members is shown below.

Board member	Meetings attended (/ total possible if not all 17 meetings)
David Beamish (Clerk of the Parliaments and Chairman)	17/17
Edward Ollard (Parliamentary Services)	17/17
Simon Burton (Corporate Services)	17/17
Elizabeth Hallam Smith (Information Services)	16/17
David Leakey (Black Rod)	16/17
Carl Woodall (Support Services)	15/17
Andrew Makower (Financial Services)	17/17
Tom Mohan (Human Resources)	15/17
Rob Greig (Digital Services)	15/17

¹⁴ Now known as the House of Commons Board.

In attendance	
Liz Hewitt (Audit Committee external member)	15/17

Strategy formulation

The Administration's long-term corporate strategy was reviewed at the end of 2015/16 and a new Strategy for the House Administration for 2016-2021 is due to be considered by the successor to the House Committee in September 2016. The review followed the agreement by the House of Commons Commission to adopt a new Strategy for the House of Commons Service for the same period. It is intended that the bicameral content of both strategies will be closely aligned, particularly regarding the restoration and renewal of the Palace of Westminster. A Digital Strategy for Parliament for the same period was also agreed by the Lords and Commons Boards in May 2016, which sits under the corporate strategies of both Houses.

The Strategy is supplemented by the annual Business Plan which is prepared before the beginning of each financial year. The annual Business Plan is informed by the Strategy and annual Office business plans, which are scrutinised in detail on behalf of the Board by the Business Planning Group. It is within this framework that the Board considers strategy at each Board meeting. The Strategy, Business Plan and Annual Report are approved by the House Committee.

Financial planning

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

Performance measurement

The Board receives quarterly performance reports including data on the regular activities of the Administration in order to provide greater oversight of the impact of budgets on performance in different areas of the business. 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 and the high-level KPIs, performance measures and activity data will be reviewed following the agreement of the new strategy, in light of the new set of strategic objectives.

Board effectiveness

Since 2014/15 the Management Board now holds two joint meetings with the House of Commons Board, usually in May and November each year, to discuss areas of common concern including the Medium-Term Investment Plan. Joint awaydays with the Commons Board have also become regular annual events, the most recent of which took place on 1 July 2016. This is a useful forum for considering forthcoming challenges for both Houses.

In July 2014, the Clerk of the Parliaments issued, for the first time, Letters of Delegation to Board members, as well as joint letters with the Clerk of the House of Commons to the Director of the Parliamentary Digital Service and Director of Security for Parliament. In May 2016 revised letters were issued to the Clerk Assistant, Reading Clerk and Black Rod to reflect changes, following the retirement of the Director of Information Services and Librarian and changes to the governance of security (see below).

In 2007 and 2011 external reviews of the Board and Administration were conducted. The next external review is scheduled to take place during 2016/17, following any governance changes in the House of Lords and taking account of the outcome of the Director General's Review in the House of Commons.

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 function, 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

House of Lords Internal Audit operates to UK Public Sector Internal Audit Standards. The most recent external quality review of the Internal Audit function was conducted in 2014. The review concluded that “the Internal Audit Service is generally in conformance with the Public Sector Internal Audit Standards”.

During 2015/16 the Internal Audit function continued to work closely with the internal audit function in the House of Commons, particularly regarding joint audits of Digital and Estates matters. The possibility of merging the two functions is being considered as part of the Bicameral Review of Joint Working (see below).

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 Administration and in shared services areas. Coverage of the latter is coordinated 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 moderate¹⁵ assurance on the overall adequacy and effectiveness of these arrangements for 2015/16. However, in doing so he also expressed some concern about issues within three services shared with the House of Commons – the Digital Service, estates and procurement – and on the subject of staff performance management. I have taken these concerns on board and during 2016/17 I will be monitoring closely, along with the Audit Committee, the progress made against the specific recommendations.

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.

Senior managers also provide me with assurance through letters of assurance, 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, coordinated by the Board Secretary and the Head of Internal Audit, where I ask managers to provide more details where initial statements were unclear. Ahead of the requests being issued to senior managers for the 2015/16 reporting period, the format of the assurance returns was reviewed, which included introducing greater alignment with the House of Commons assurance arrangements with respect to shared services.

¹⁵ This assessment is against the new Government Internal Audit four-point assurance scale of substantial, moderate, limited, unsatisfactory, adopted during the year by the House of Lords.

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 14 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. From 1 April 2016, the Security Restructuring Programme (SRP) put in place the new security arrangements, including insourcing of security officers and the negotiation of the MPS police contract, implementing a fixed charging mechanism and thorough review process;
- 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 Opposition, the second largest opposition party and by the Convenor of the Crossbench Peers. These confirm that the financial assistance was used for the purposes intended by Parliament.

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 bicameral security risk which is owned by the Director of Security for Parliament. 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. Assurance is also provided to the House Committee through twice yearly reports by the Audit Committee chair and in its annual report.

The Internal Audit function 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 vast majority of these recommendations were accepted, implemented and reflected in revised Risk Management Policy and Guidance, which was issued in 2015/16. The changes included the adoption of the same risk scoring matrix as the Commons, as well as the requirement for corporate risk owners to score inherent risk. This meant that for the first time a common method of risk assessment applied across Parliament, at the corporate level, from 2015/16 onwards. The Audit Committee considered a follow-up report on this Internal Audit review in April 2016 and welcomed the progress made in this area.

Following the Internal Audit review, and on behalf of the Management Board, the Business Planning Group conducted a review of the Administration's corporate risks at the end of 2014/15, at the same time as identifying any 'black swan' risks¹⁶ for the first time, as recommended by the Internal Audit review. As a result the Board agreed a number of changes to the corporate risks, which took

¹⁶ Black swan risks can be characterised as extreme outliers with very low likelihood but very high impact.

effect at the beginning of 2015/16. 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. These changes were noted by the Audit Committee in March 2015. The six corporate risks remain as follows:

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

At the same time, three former corporate risks – Finance, ICT and Information – were formally delegated by the Board to the Finance Director, Director of the Digital Service and the Reading Clerk, respectively.

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.

Governance corporate risk

The Governance corporate risk was created as a new corporate risk at the beginning of 2015/16 following the review of corporate risks described above. The risk was raised at the end of 2015/16, due to the potential impact of the outcome of the Director General's review of the House of Commons Service (see below), and this will be addressed as a priority during 2016/17.

Facilities & Buildings corporate risk

The Facilities & Buildings corporate risk was raised in 2014/15 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. It is hoped that further improvements achieved at the end of 2015/16 will mitigate this risk further during 2016/17.

Reputation corporate risk

The Reputation corporate risk was raised in 2015/16 due to adverse publicity about the House. However, as much of this coverage was due to matters not under the control of the Administration, the structure of this risk was reviewed at the end of 2015/16. 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 security

Failure to manage information securely has been identified as a key area of risk in recent years. The Reading Clerk has delegated responsibility from the Board, as Senior Information Risk Owner (SIRO), for mitigating the Administration's exposure to this risk. 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 the Parliamentary Digital Service. This includes assurance that information continues to be handled appropriately, that registers of sensitive information assets are maintained, and that Information Security Co-ordinators continue to encourage best practice in their offices, including ensuring that staff, particularly new starters, undertake relevant training.

The SIRO 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 Director of Security for Parliament, and the Director of the Parliamentary Digital Service through the Cyber Authority (see below). The Parliamentary Accreditor continues to assess systems that process information of high sensitivity and makes recommendations to the Digital Service and the Cyber Authority, further mitigating Parliament's exposure to Information risk.

Security

The Director of Security for Parliament has strategic responsibilities for physical, personnel and cyber security. On 29 January 2016 responsibility for the day-to-day delivery of physical and personnel operational security transferred from the Serjeant at Arms and Black Rod to the new Parliamentary Security Department (PSD). Specialist staff have been recruited to PSD in order to deliver expert advice to members, staff and contractors. A new Special Services Agreement with the Metropolitan Police Service commenced on 1 April 2016 and the MPS civilian workforce transferred to become PSD staff on the same date. The simpler, clearer and more coherent governance arrangement should improve the efficiency and effectiveness of physical and personnel security management.

Threats to cyber security continue to develop. A Cyber Security Programme was launched in 2015, led by the Director of the Parliamentary Digital Service as SRO. Its purpose is to improve the standard of cyber security. Planned work on security awareness raising and improvements to personnel security will also help to reduce the cyber risk. The Cyber Authority was established in January 2015 as an interim governance measure. This body, which comprises the Director of Security for Parliament, the Director of the Digital Service and the two Senior Information Risk Owners (SIROs), makes and owns the strategic decisions about cyber security. This interim arrangement is working well and is currently being reviewed.

While some substantial security risks cannot be eliminated, I am confident that the measures taken to deal with them mean 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 2015/16 by the following measures, among others:

- Parliament's business resilience plans were successfully reaccredited to the ISO22301:2012 standard, following an external audit by the British Standards Institution in July 2015.
- The overall business resilience policy was updated and agreed by the House of Lords Management Board and House of Commons Board in December 2015.
- The Incident Management Framework (IMF) continued to be developed, including further recruitment to the Incident Management Team (IMT) and induction training, with further training and exercises are planned. The IMT was stood up on a number of occasions and has proved its value and utility to both Houses and external partners.
- The self-assessment quality assurance of all departmental business continuity plans continued throughout the year, with a formal review conducted in spring 2015. Departmental responses reflected how business continuity arrangements have become increasingly and successfully embedded across Parliament.
- Work has continued throughout the year in conjunction with the Parliamentary Estates Forum to continue strengthening utility resilience.

- The Relocation Contingency Programme received an Amber/Green Gateway Review grading in July 2015, with all observations and recommendations duly actioned. Regular updates have been provided to the Clerks, both Boards and the BRG.

As a result of these measures the BRG provided a substantial level of assurance of the overall business resilience arrangements across both Houses.

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 Boards with assurance that there are adequate arrangements in place to discharge their responsibilities. In May 2016 it provided assurance reports for 2015/16 from all Offices across the Administration, which can be summarised as follows:

- Food safety remained good, indicating a broadly substantial level of assurance;
- General safety had shown improvement; a largely substantial level of assurance was given to the majority of lower risk, office based activities. Inconsistencies in the management of more complex risks, chiefly those related to construction were identified and improvement was needed to strengthen risk management and control. On this basis, these safety risks were considered to have moved towards a moderate level of assurance;
- Fire safety was assessed as moderate.

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. The Commission and House Committee agreed to rule out the options to do nothing or to move Parliament permanently to a new location and also agreed that an independently produced costed appraisal of three high-level options for restoration and renewal of the Palace should be commissioned. An options appraisal, undertaken by a consortium led by Deloitte Real Estate, was duly published in June 2015. A Joint Committee on the Palace of Westminster was established to consider the options. In the meantime, the Restoration & Renewal Programme Board is responsible for this area. It receives advice and assurance from the Restoration & Renewal Integrated Assurance Group that assurance activities are appropriate to the levels of risk across the Programme. The Board provides joint assurance to me and to the Clerk of the House of Commons as the Accounting Officers.

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 repair of the cast iron roofs, and the programme of fire safety improvement works. At the beginning of 2016/17 the two Boards discussed the establishment of a Strategic Estates Portfolio in order to manage the dependencies between the major Strategic Programmes (notably Restoration & Renewal, the House of Commons Northern Estate Programme, the Parliamentary Archives Accommodation Programme, and the Relocation Contingency Programme) and to ensure that Parliament successfully oversees the necessary building refurbishments, in particular that of the Palace of Westminster itself. Further work is due to be commissioned to assess appropriate governance mechanisms and resourcing.

Parliamentary Digital Service

Alongside the development of a Digital Strategy for Parliament, the Digital Service (a joint department with the House of Commons) was restructured in order to ensure that it was able to

deliver its strategic objectives. From April 2016, the Digital Service will be made up of six Directorates, with responsibility for technology, live services, digital development, digital portfolio, cyber security and business management, respectively.

Bicameral Review of Joint Working

Following a recommendation by the House of Commons Governance Committee, the Clerks of the two Houses agreed a review of shared services which commenced in mid-April 2015. The first stage of the review considered the operation of, and further opportunities for, joint services, and concluded in September 2015. It concluded that there was the potential for more efficiency, less bureaucracy and increased opportunities for staff through further joint working in some areas. In response the House of Commons Commission and the House of Lords House Committee both:

- Endorsed further work on harmonising terms and conditions and HR IT systems;
- Endorsed further work on the possibilities for aligning the finance systems;
- Agreed to commission further work to examine in further detail the case for joint working in several agreed areas;
- Agreed to revisit areas showing as having some benefit once the initial stage of work was under way.

Following the above decisions a programme team was established to coordinate the second stage of work, which will continue into 2016/17.

Efficiencies Programme

When the House of Commons Commission agreed the Commons financial remit for the 2016/17 planning round, with a headline position of zero growth in real terms, they expressed a strong view that every effort should be made to deliver efficiencies. The Commons Board agreed to establish an Efficiencies Programme, enabling it to re-invest in priority areas in line with the new Commons Strategy, such as improving customer service. In February 2016 the Management Board agreed to be an equal partner in this Programme, because the two Houses share much expenditure and also share the imperative to deliver value for money, and to ensure the Lords' voice is actively sought particularly for shared services. This programme will incorporate the existing bicameral Continuous Improvement initiative.

NAO Review of Programmes and Projects

At the end of 2015 both Accounting Officers invited the NAO to conduct a review of programmes and projects across Parliament. The main focus of the work was to review cases studies of projects and programmes in more detail to identify examples of good and poor practice in respect of delivering demonstrable value for money. The findings are intended to demonstrate areas of strength and areas that could be improved to ensure both Houses are better able to demonstrate value for money on their projects and programmes. The outcome of this review will be considered at the joint meeting of the Audit Committees in July 2016. The review team liaised with the team from the Capacity and Capability Review (see below) in order to ensure the respective scopes were complementary.

Review of Parliament's Programme and Project Management Capacity and Capability

In December 2015, Actica Consulting Ltd was appointed to undertake a review of the Programme and Project Management (PPM) Capacity and Capabilities of the Houses of Parliament on behalf of the Joint Investment Board (JIB). The JIB were concerned that there were insufficient resources to meet the demands of the Medium-Term Investment Plan. The report was published in March 2016 and its recommendations, including their implementation, are being considered by the JIB.

Enterprise Programme Management Office

In April 2016 the two Boards agreed to establish a Parliamentary Enterprise Programme Management Office as a shared service, hosted by the House of Commons, to support the Joint Investment Board. This Office will incorporate two existing shared services: the Portfolio Management team and the Parliamentary Programme and Project Assurance Office.

Director General's Review of the House of Commons

At the end of April 2016 the Director General of the House of Commons published the outcome of his Review of the Commons structure. The structural changes in the Commons, including changes to the delivery of shared services, are likely to have a significant impact on the work of the Administration. The Board will continue to engage with the Commons on this area as a priority in 2016/17.

Leader's Group on Governance

The report of the Leader's Group on Governance, which was chaired by Baroness Shephard of Northwold, was published in January 2016.¹⁷ The Group was set up by the Leader of the House in March 2015 to consider governance arrangements in the House of Lords, and in particular the operation of the domestic committees, which have responsibility for the governance of facilities and services provided to members.

The aim of the Group was to achieve clarity of remits for the domestic committees, and clarity of roles for committee members. It proposed a smaller number of committees with clear demarcations of responsibility and a clear hierarchy. Its vision was for a small cadre of members with the time, interest and expertise necessary, to engage with domestic committee matters on behalf of the House, in partnership with the staff. To give effect to this vision it recommended:

- A senior committee to set the strategy of the House and the Administration and to monitor the performance of the Administration against agreed targets.
- Two supporting committees, one dealing with all aspects of services for members to be called the 'Services Committee'; the other a Finance Committee.
- Two new posts: a chair for each of the Services Committee and the Finance Committee, and changes to the role of the Chairman of Committees.

The Leader of the House subsequently led discussions on the implementation of the Group's recommendations, and a debate took place on 9 May 2016. Changes are expected to take effect in autumn 2016, at around the same time as a new Lord Speaker and Chairman of Committees take up office.

In conclusion I am satisfied that a sound system of corporate governance is in place to support the achievement of the policies, aims and objectives of the House of Lords Administration, whilst also safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

David Beamish

Clerk of the Parliaments and Accounting Officer

12 July 2016

¹⁷ Leader's Group on Governance, *Governance of Domestic Committees in the House of Lords*, January 2016, HL Paper 81 of session 2015–16

Remuneration and Staff Report

I. Remuneration Report 2015-16

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 2015-16 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
- Rob Greig - Director of the Parliamentary Digital Service

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 broadly in line with the pay bands used in the Senior Civil Service, and pay awards are performance-related.

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 2015-16 was £175-180,000 (2014-15: £175-180,000). This was 6.2 times (2014-15: 6.2) the median remuneration of the workforce, which was £28,580 (2014-15: £28,564).

In 2015-16 nil (2014-15, nil) employee received remuneration in excess of the highest-paid director. Remuneration ranged from £18,147 to £180,000 (2014-15: £16,854-£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.

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)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15 revised	2015-16	2014-15 revised
David Beamish	175-180	175-180	N/A	N/A	-	-	37	28	210-215	210-215
Edward Ollard	110-115	110-115	0-5	0-5	-	-	54	36	170-175	150-155
Simon Burton	85-90	85-90	0-5	0-5	-	-	40	88	130-135	175-180
David Leakey	90-95	90-95	0-5	0-5	10	8	37	34	140-145	135-140
Thomas Mohan	85-90	80-85	0-5	0-5	-	-	42	28	130-135	110-115
Andrew Makower	85-90	80-85	0-5	0-5	-	-	41	28	125-130	110-115
Elizabeth Hallam Smith	110-115	105-110	0-5	0-5	-	-	23	37	135-140	145-150
Carl Woodall	100-105	95-100	0-5	0-5	-	-	44	41	145-150	140-145
Rob Greig	115-120	N/A	0-5	N/A	-	N/A	46	N/A	165-170	N/A
Joan Miller (until 11 September 2014)	N/A	180-185 (100-105 full year equivalent)	N/A	0-5	N/A	-	N/A	21	N/A	200-205
Matthew Taylor (from 12 September 2014 until 31 March 2015)	N/A	45-50 (90-95 full year equivalent)	N/A	0-5	N/A	-	N/A	39	N/A	85-90

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 2015-16 relate to performance in 2014-15 and the comparative NCPRPs reported for 2014-15 relate to performance in 2013-14. 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 2015-16 the taxable benefit for the residence was £9,788 (2014-15: £8,484).

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 Digital Services (previously Director of Parliamentary Information and Communications Technology)

The salary and pension benefits for the Director of the Parliamentary Digital Service (previously Director of Parliamentary Information and Communications Technology) are paid directly by the House of Commons and recharged to the House of Lords at a rate of 30% (2014-15: 20%). The salary and pension benefits disclosed represent the total remuneration package paid between the two Houses. Rob Greig formally joined the House of Lords Management Board on 1 April 2015. Joan Miller left the House service on 11 September 2014. Matthew Taylor was appointed as Acting Head of Parliamentary Information and Communications Technology and was also given a standing invitation to attend the Management Board until 31 March 2015. 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.

Pensions

The pension benefits of the Management Board were as follows:

	Accrued pension and related lump sum at 31/3/16 £000	Real increase in pension and related lump sum at 31/3/16 £000	CETV at 31/3/16 ¹⁸ £000	CETV at 31/3/15 £000	Real increase/ (decrease) in CETV £000
David Beamish	90-95 <i>Plus lump sum of 275-280</i>	0-2.5 <i>Plus lump sum of 5.0-7.5</i>	2,020	2,038	34
Edward Ollard	45-50 <i>Plus lump sum of 135-140</i>	2.5-5.0 <i>Plus lump sum of 7.5-10</i>	976	857	49
Simon Burton	30-35 <i>Plus lump sum of 95-100</i>	0-2.5 <i>Plus lump sum of 5-7.5</i>	597	516	31
David Leakey	10-15 <i>Plus lump sum of N/A</i>	0-2.5 <i>Plus lump sum of N/A</i>	198	148	28
Thomas Mohan	35-40 <i>Plus lump sum of 105-110</i>	0-2.5 <i>Plus lump sum of 5-7.5</i>	759	667	38
Andrew Makower	30-35 <i>Plus lump sum of 100-105</i>	0-2.5 <i>Plus lump sum of 5-7.5</i>	694	607	35
Elizabeth Hallam Smith	45-50 <i>Plus lump sum of 145-150</i>	0-2.5 <i>Plus lump sum of 2.5-5</i>	1,014	1,018	20
Carl Woodall	15-20 <i>Plus lump sum of N/A</i>	2.5-5 <i>Plus lump sum of N/A</i>	274	217	17
Rob Greig	0-5 <i>Plus lump sum of N/A</i>	2.5-5 <i>Plus lump sum of N/A</i>	25	N/A	14

Figures in table audited by the National Audit Office

On 1 April 2015 the liabilities associated with the House of Lords Staff Pension Scheme (HOLSPS) liabilities transferred to the Cabinet Office and pension benefits are now provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the Management Board member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. 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 for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase

¹⁸ The factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2015 are not the same as those used to calculate the CETV in 2016

legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a 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% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted of the Management Board members show pension earned in PCSPS or alpha – as appropriate. Where the Management Board member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at the website 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 Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are worked out 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

12 July 2016

2. Staff Report

2.1 Staff costs

Staff costs (including 30% of PDS; 2014-15 20%) comprise:

	2015-16	2014-15
	£000	£000
Wages and salaries	22,055	19,176
Social security costs	1,763	1,539
Other pension costs	4,201	5,907
Sub total	28,019	26,622
Less recoveries in respect of outward secondments	(678)	(549)
Total net cost	27,341	26,073

From 1 April 2015 the liabilities associated with the House of Lords Staff Pension Scheme (HOLSPS) transferred to the Cabinet Office and the Civil Service pension arrangements.

The *Principal Civil Service Pension Scheme* (PCSPS) and the *Civil Servant and Other Pension Scheme* (CSOPS) – known as “alpha” – are unfunded multi-employer defined benefit schemes in which the House of Lords is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 30 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2015-16, employers’ contributions of £3,414,724 were payable to the Civil Service pension arrangements (2014-15 – £3,011,357) at one of four rates in the range 20.0-24.5% (2014-15 – 16.7-24.3%) of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers’ contributions of £102,927 (2014-15 – £63,279) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3-12.5% up to 30 September 2015 and from 8%-14.75% of pensionable earnings from 1 October 2015 (2014-15 – 3-12.5%). Employers also match employee contributions up to 3 per cent of pensionable earnings. In addition, employer contributions of £3,750 (0.8 per cent up until 30 September 2015 and 0.5 per cent from 1 October 2015; 2014-15 not applicable) of pensionable pay, were payable to the civil service pension arrangements to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £nil. Contributions prepaid at that date were £nil.

One person (2014-15: two persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £10,301 (2014-15: £3,213).

The above amounts 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, pension costs for certain staff within shared services fell on the House by whom staff are formally employed, regardless of whether salary costs were shared. Since April 2015 pension costs have been shared alongside salary costs. Other pension costs includes some costs of administering the House of Lords Staff Pension Scheme.

2.2 Staff composition

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

	2015-16	2014-15
House of Lords Administration	484	471

As at 31 March 2016 the headcount composition of staff was:

	Female	Male
Management Board	1	7
Other Senior Staff (SCS or equivalent)	8	15
Other employees	249	229
Secondees in	7	2
Total	271	253

As at 31 March 2016 the headcount composition of senior staff (SCS or equivalent) was:

Judicial Group 4	1
Senior Band 3	1
Senior Band 2	8
Senior Band 1A	6
Senior Band 1	15
Total	31

The Clerk of the Parliaments is linked to Judicial Salary Group 4 (JG4). Other senior staff are broadly in line with the pay bands used in the Senior Civil Service.

2.3 Reporting of compensation schemes – exit packages

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	-	-
£10,000-£25,000	-	2	2
£25,000-£50,000	-	4	4
£50,000-£100,000	-	1	1
£100,000-£150,000	-	-	-
£150,000-£200,000	-	-	-
Total number of exit packages	-	7	7
Total cost/£000	-	195	195

Redundancy and other voluntary departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the House has agreed early retirements, the additional costs are met by the House and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The House of Lords was party to three exit packages (£63,500) not covered by the CSCS. Additionally, in 2015-16 PDS, a joint department with the House of Commons, ran a voluntary exit scheme. The House of Lords paid 30% of the exit packages and the cost to the House of Lords was £241,662.

2.4 Tax arrangements for public appointees

In May 2012 the Treasury published *Review of the Tax Arrangements of Public Sector Appointees*, and in August 2012 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. 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.

The Parliamentary Digital Service (PDS) is 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 PDS are included for information.

2.4.1 Off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than six months

	<i>House of Lords</i>	<i>PDS</i>
Number of existing engagements as of 31 March 2016	13	13
<i>Of which at the time of reporting have existed for:</i>		
less than one year	7	5
between one and two years	2	6
between two and three years	1	2
between three and four years	1	-
for four or more years	2	-

2.4.2 New off-payroll engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that last for longer than six months

	<i>House of Lords</i>	<i>PDS</i>
Number of new engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016	12	14
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	12	14
Number for whom assurance has been requested	3	8
<i>Of which:</i>		
For whom assurance has been received	3	4
For whom assurance has not been received	-	4
Have been terminated as a result of assurance not being received	-	4

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

2.5 Consultancy costs

Consultancy costs are defined as the provision to management of objective advice relating to strategy, structure, management or operations of an organisation, in pursuit of its purposes and objectives. Such advice will be provided outside the 'business as usual' environment when in-house skills are not available and will be time limited. It may include the identification of options with recommendations, or assistance with the implementation of solutions. In 2015-16 the House of Lords spent £198,989. The House of Lords also reimbursed the House of Commons £228,977 in relation to consultancy costs for Estates and Works, the Parliamentary Digital Service and other shared services.

2.6 Sickness absence

During 2015-16 the staff sickness absence rate was:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
% of working days lost to sickness in period	2.20%	1.91%	2.80%	2.51%
Average number of days lost to sickness per employee	1.35	1.26	1.76	1.53

2.7 Staff policies applied during the year

Staff Issues

The Clerk of the Parliaments attaches importance to effective consultation with, 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.

Equality and Diversity¹⁹

The House of Lords values all members of staff equally. Every member of staff has the right to respect and fair treatment, and the right to equality of opportunity in all aspects of their employment. The House of Lords seeks to ensure that every member of staff will be treated fairly and with respect regardless of their age, gender, gender identity or reassignment, sexual orientation, race, colour, nationality, ethnic or national origin, religious affiliation or religious belief, marital or civil partnership status, disability, or any other factor that is irrelevant to performance. Staff will be considered on merit for opportunities, including training, development and promotion and be given all reasonable help to overcome problems at work which are associated with a disability. The House of Lords will support members of staff with disabilities. The Administration will endeavour to make reasonable adjustments to a person's job or working conditions to alleviate the effects of their disability. This may include changes to duties, hours of work, or flexible working conditions.

The equality and diversity 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. All staff receive equality, diversity and inclusion training every three to four years.

¹⁹ See also the Diversity and Corporate Responsibility Report in the Annual Report

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRoM) requires Departments to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit. The SoPS and related notes are subject to audit. The SoPS and supporting notes have been prepared in accordance with the Government FRoM, as applied by analogy, by the House of Lords.

Summary of Resource and Capital Outturn 2015–16

	SOPS Note	2015-16 £000						2014-15 £000	
		Estimate			Outturn			Outturn	
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/(excess)	Total
Department Expenditure Limit									
- Resource	1.1	99,454	-	99,454	92,383	-	92,383	7,071	89,989
- Capital	1.2	28,962	-	28,962	26,140	-	26,140	2,822	14,993
Annually Managed Expenditure									
- Resource	1.1	4,685	-	4,685	3,604	-	3,604	1,081	4,452
- Capital		-	-	-	-	-	-	-	-
Total Budget		133,101	-	133,101	122,127	-	122,127	10,974	109,434
Non-Budget									
- Resource		-	-	-	-	-	-	-	-
Total		133,101	-	133,101	122,127	-	122,127	10,974	109,434
Total Resource	1.1	104,139	-	104,139	95,987	-	95,987	8,152	94,441
Total Capital	1.2	28,962	-	28,962	26,140	-	26,140	2,822	14,993
Total		133,101	-	133,101	122,127	-	122,127	10,974	109,434

Net cash requirement 2015-16

	SOPS Note	2015-16 £000			2014-15 £000	
		Estimate		Outturn	Outturn compared with Estimate: saving/(excess)	Total
Net cash requirement	2	241,663		213,348	28,315	99,127

The House of Lords is outside HM Treasury's administration costs control regime. All expenditure is classified as programme costs. Figures in the areas outlined in bold are voted totals subject to Parliamentary control.

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

The notes on pages 30 to 31 support this statement.

Notes to the Statement of Parliamentary Supply

SOPS I. Net Outturn

SOPS I.1 Analysis of net resource outturn by section

			2015-16 £000		2014-15 £000
			Outturn	Estimate	Outturn
			Net Total	Net Total outturn compared with Estimate	Total
	Gross	Income	Net Total	Net Total	Total
Spending in Departmental Expenditure Limit					
Voted:					
Administration	73,642	(4,810)	68,832	74,107	65,378
Works Services	23,638	(87)	23,551	25,347	24,611
Annually Managed Expenditure					
Voted:					
Administration	3,604	-	3,604	4,685	4,452
Total	100,884	(4,897)	95,987	104,139	94,441

SOPS I.2 Analysis of net capital outturn by section

			2015-16 £000		2014-15 £000
			Outturn	Estimate	Outturn
			Net Total	Net Total outturn compared with Estimate	Total
	Gross	Income	Net Total	Net Total	Total
Spending in Departmental Expenditure Limit					
Voted:					
Administration	731	-	731	2,268	814
Works Services	25,409	-	25,409	26,694	14,179
Annually Managed Expenditure					
Voted:					
Administration	-	-	-	-	-
Total	26,140	-	26,140	28,962	14,993

SOPS 2. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/(excess) £000
Resource Outturn	104,139	95,987	8,152
Capital Outturn	28,962	26,140	2,822
Accruals to cash adjustments:			
<i>Adjustments to remove non-cash items:</i>			
Depreciation	(11,878)	(7,725)	(4,153)
New provisions and adjustments to previous provisions	-	(10)	10
Other non-cash items	(70)	(3,664)	3,594
<i>Adjustments to reflect movements in working balances:</i>			
Increase/(decrease) in inventories	10	62	(52)
Increase/(decrease) in trade and other receivables	100	1,077	(977)
(Increase)/decrease in trade and other payables	400	1,407	(1,007)
Movement in provisions	120,000	100,000	20,000
Capital element of the payment in respect of on-balance sheet (SoFP) service concession contracts	-	74	(74)
Net Cash requirement	241,663	213,348	28,315

Parliamentary Accountability Disclosures**1. Losses and Special Payments****1.1 Losses Statement**

No losses that require separate disclosure because of their nature or amount were incurred during the year to 31 March 2016 (2014-15 – £ nil).

1.2 Special Payments

No special payments that require separate disclosure because of their nature or amount were incurred during the year to 31 March 2016 (2014-15 – £ nil).

2. Remote Contingent Liabilities

In addition to contingent liabilities reported within the meaning of IAS 37, the House also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. For 2015-16 there are no such liabilities to report (2014-15: none).

Contingent liabilities within the meaning of IAS 37 are disclosed in note 13 of the Financial Statements.

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 2016. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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. 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 2016 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 the House of Lords' affairs as at 31 March 2016 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; 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 2016

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	2015-16 £000	2014-15 £000
Income from the sale of goods and services	5	4,897	5,484
Other operating income	5	-	1,509
Total operating income		4,897	6,993
Staff costs	3	27,341	26,073
Purchase of goods and services	4	36,967	39,315
Depreciation and impairment charges	4	11,322	5,549
Provision expense	4	10	5,332
Other operating expenditure	4	25,244	25,165
Total operating expenditure		100,884	101,434
Net operating expenditure		95,987	94,441
Net expenditure for the year		95,987	94,441
Other Comprehensive Net Expenditure			
Items which will not be reclassified to net operating costs:			
- Net gain on revaluation of Property, Plant and Equipment	4, 6	(71,924)	(9,800)
- Net loss on pension liabilities due to changes in actuarial assumptions	12.1	-	10,608
Comprehensive Net Expenditure for the Year		24,063	95,249

The notes on pages 38 to 59 form part of these accounts.

Statement of Financial Position as at 31 March 2016

This statement presents the financial position of the House. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

		31 March		31 March	
		2016		2015	
		£000	£000	£000	£000
	Note				
Non-current assets:					
Property, plant and equipment	6	560,462		473,658	
Intangible assets	7	131		193	
Total non-current assets:			560,593		473,851
Current assets:					
Inventories		291		229	
Trade and other receivables	10	2,450		1,373	
Cash and cash equivalents	9	209		416	
Total current assets:			2,950		2,018
Total assets:			563,543		475,869
Current liabilities:					
Trade and other payables	11	(6,015)		(7,625)	
Total current liabilities			(6,015)		(7,625)
Total assets less current liabilities			557,528		468,244
Non-current liabilities:					
Other payables	11	(90)		(168)	
Provisions	12.1, 12.2	(40,095)		(140,085)	
Total non-current liabilities			(40,185)		(140,253)
Total assets less total liabilities			517,343		327,991
Taxpayers' equity and other reserves:					
General Fund		323,660		204,707	
Revaluation Reserve		193,683		123,284	
Total equity			517,343		327,991

David Beamish
Clerk of the Parliaments and Accounting Officer
12 July 2016

The notes on pages 38 to 59 form part of these accounts.

Statement of Cash Flows

for year ended 31 March 2016

The Statement of Cash Flows shows the changes in cash and cash equivalents of the House during the reporting period. The statement shows how the House generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the House. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the House's future public service delivery.

	Note	2015-16 £000	2014-15 £000
Cash flows from operating activities			
Net operating cost		(95,987)	(94,441)
Adjustments for non-cash transactions	4	11,399	10,952
(Increase)/Decrease in trade and other receivables	10	(1,077)	171
(Increase)/Decrease in inventories		(62)	(47)
Increase/(Decrease) in trade and other payables	11	(1,481)	(2,538)
Less movement in payables not via SoCNE		74	70
Movement in provisions		(100,000)	1,769
Net cash outflow from operating activities		(187,134)	(84,064)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(26,063)	(14,903)
Purchase of intangible assets	7	(77)	(90)
Proceeds from the disposal of property, plant and equipment		-	-
Net cash outflow from investing activities		(26,140)	(14,993)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		213,141	99,281
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) Service Concession contracts		(74)	(70)
Net financing		213,067	99,211
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(207)	154
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		(207)	154
Cash and cash equivalents at the beginning of the period	9	416	262
Cash and cash equivalents at the end of the period	9	209	416

The notes on pages 38 to 59 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

This statement shows the movement in the year on the different reserves held by the House, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of the House, to the extent that the total is not represented by other reserves and financing items.

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
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		70	-	70
Movement in Reserves				
Recognised in Statement of Comprehensive Net Expenditure		(10,608)	9,800	(808)
Transfers between Reserves		1,247	(1,247)	-
Balance at 31 March 2015		204,707	123,284	327,991
Net Parliamentary Funding – drawn down		213,141	-	213,141
Net Parliamentary Funding – deemed		416	-	416
Supply payable adjustment		(209)	-	(209)
Comprehensive Net Expenditure for the Year		(95,987)	-	(95,987)
Non-Cash Adjustments				
Non-cash charges – auditor's remuneration	4	67	-	67
Movement in Reserves				
Recognised in Statement of Comprehensive Net Expenditure	6, 12	-	71,924	71,924
Transfers between Reserves		1,525	(1,525)	-
Balance at 31 March 2016		323,660	193,683	517,343

The notes on pages 38 to 59 form part of these accounts

Notes to the Resource Accounts

I. Statement of accounting policies

The House of Lords is not a government department and is not obliged to comply with the *Government Financial Reporting Manual (FReM)* issued by HM Treasury. Whilst the House of Lords is not obliged to comply with the *FReM* (or HM Treasury's *Corporate Governance in Central Government Departments: Code of Good Practice*) it seeks to apply best practice principles wherever possible and the *FReM* is applied by analogy. The financial statements have been prepared with reference to the 2015-16 *FReM* with the exception that the House of Lords publishes a separate annual report. 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.

The Palace of Westminster is a Royal Palace and is under the joint stewardship of the House of Lords and the House of Commons. During 2015-16 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 Director of Security for Parliament but are billed separately to the two Houses by the Metropolitan Police, apportioned in a 30:70 ratio (Lords:Commons) in 2015-16.

In 2015-16 ICT services were managed by the Parliamentary Digital Service (PDS) for both Houses. Each House paid for its own ICT hardware and House specific software, with the costs of PDS itself being split on a 30:70 (Lords:Commons) ratio. Capital costs incurred by PDS 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. For more details see note 14.

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 2015-16 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 if 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 2015-16 by the VOA using a desktop valuation; the valuation date was 31 March 2016. 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 2015-16 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

The *Government FReM* (applied by analogy by the House of Lords) 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 2015-16 the furniture was valued by Bonhams who gave an indicative valuation for purposes of insurance and a market value.

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 16.

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 in policy 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 16. The House's acquisition and disposal policies were reviewed and updated during 2014-15.

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 Parliamentary Archives comprise several million documents that have been preserved at the Palace of Westminster from 1497 to date in a variety of formats from medieval vellum and parchment to born-digital and digitised records. Parliamentary records prior to 1497 form part of the National Archives. Most of the records are unique and irreplaceable and have been preserved for their historical, legal and administrative value, consequently it is not deemed cost effective to obtain a value.

The Parliamentary Archives who provide the service were established within the House of Lords in 1946. The administration costs of this service have been shared with the House of Commons since 1999. Any operational assets held by the Parliamentary Archives are disclosed within the House of Lords Resource Accounts. The Parliamentary Archives publishes an Annual Report which is available via www.parliament.uk. Full details of the Parliamentary Archives acquisition policy are also available at this web address.

iv. Broadcasting Archives

The broadcasting archive consists of audio and video tape recordings of broadcast coverage from the Chambers in both Houses and also Committees selected by the broadcasters. In November 2015 the Broadcast Unit switched from tape to server recording. 38,000 video tapes and 36,000 audio tapes are held in the collection in 7 Millbank. Audio dates from 1978 and the House of Commons video collection dates from 1985 (Lords) and 1989 (Commons).

In 2015 Parliament began the process of digitising the video tapes in order to preserve the content stored on the ageing tapes. Audio tapes will continue to be held in storage.

The archive is valuable in an historical sense but is difficult to quantify its value 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, 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). The HOLSPS was a 'by analogy' scheme and followed the rules of the *Principal Civil Service Pension Scheme*. The scheme was an unfunded defined benefit scheme and in line with HM Treasury guidance it was accounted for in the House of Lords Resource Accounts under the terms of *IAS 19 Employee Benefits*. The Statement of Financial Position as at 31 March 2015 included a provision against which future pension benefits would be charged when paid. 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. Actuarial gains and losses were recognised as an adjustment to the General Fund in the year the gains/losses occur. Details of the methods and assumptions used in calculating the pension valuation, and the sensitivity of the results, can be found in note 13.1 in the 2014-15 Resource Accounts²⁰.

From 1 April 2015 the liabilities associated with the House of Lords Staff Pension Scheme (HOLSPS) transferred to the Cabinet Office and the Civil Service pension arrangements. During 2015-16 the process began for making a transfer payment to the Cabinet Office covering the liabilities of the HOLSPS. In advance of a final valuation an initial estimate provided by the Government Actuary's Department led to an interim payment on account of £100m being paid. The valuation process will continue into 2016-17. Details of the Civil Service pension arrangements are contained in note 2.1 *Staff Costs* in the Staff Report.

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.

²⁰ www.parliament.uk/documents/lords-information-office/2015/HL-resource-accounts-2014-15.pdf

Notes to the Resource Accounts – continued

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:

	2015-16	2014-15
	£	£
History of Parliament Trust	482,328	522,720
Commonwealth Parliamentary Association UK Branch	533,851	510,960
British Group Inter-Parliamentary Union	385,500	321,840
British-Irish Parliamentary Assembly	38,250	50,220
British-American Parliamentary Group	33,495	33,000
	1,473,424	1,438,740

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 2015-16 the amount paid was £369,822 (2014-15 – £311,150). The balance held at the end of the financial year was £28,662 (2014-15 - £60,967).

1.15 Contingent Liabilities

Contingent liabilities are reviewed each year and disclosed in a note to the accounts (see note 13). 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 (see the Parliamentary Accountability Disclosures on page 31).

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 2015/16* (HL Paper 150).

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	2015-16			2014-15		
	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
Clerk of the Parliaments	2,369	-	2,369	2,583	-	2,583
Parliamentary Services	9,866	(10)	9,856	9,369	(6)	9,363
Corporate Services	1,764	(8)	1,756	1,608	-	1,608
Support Services	36,165	(4,851)	31,314	32,672	(5,449)	27,223
Information Services	6,673	(16)	6,657	6,760	(23)	6,737
Financial Resources (inc. Members' allowances and expenses)	21,499	-	21,499	22,072	-	22,072
Security	11,141	(12)	11,129	10,707	(6)	10,701
Information and Communication Technology	9,638	-	9,638	6,433	-	6,433
Human Resources	1,570	-	1,570	1,344	(1,509)	(165)
Centrally held funds (inc pension interest cost)	199	-	199	7,886	-	7,886
Total	100,884	(4,897)	95,987	101,434	(6,993)	94,441
Total Assets			563,543			475,869
Total Liabilities			(46,200)			(147,878)
Net Assets			517,343			327,991

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 other shared services
- Financial Resources – Finance Department including the Parliamentary Procurement and Commercial Service 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 Digital 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 costs

The staff costs total of £27,341k reported in the SoCNE is explained further in note 2.1 of the Staff Report on page 25.

4. Expenditure

	Note	2015-16 £000	2014-15 £000
Non-cash items			
Depreciation	6	7,510	6,284
Finance lease asset depreciation	6	76	76
Amortisation	7	139	69
Net (gain)/loss on disposal of property, plant and equipment		4	1
Net (gain)/loss on revaluation of property, plant and equipment		3,593	(880)
Auditor's remuneration		67	70
Interest cost on pension provision	12.1	-	5,360
Provision provided in year	12.2	10	-
Provision utilised during the year	12.2	-	(28)
<i>Total non-cash items</i>		<i>11,399</i>	<i>10,952</i>
Members' allowances and expenses		19,211	20,134
Estates & Works expenditure		16,656	19,541
Security		10,277	9,856
IT and telecommunication costs		4,724	3,957
Other expenditure		3,355	2,621
Printing and publications		1,390	2,016
Broadcasting, outreach and visitor services		2,059	1,962
Catering & Retail Services direct costs excluding staff costs		1,794	1,913
Grants	1.12	1,473	1,439
Rentals under operating leases		212	266
Financial Assistance for Opposition Parties		826	573
Service charge element of Finance Lease		155	115
Interest on Finance Lease		12	16
Total		73,543	75,361

The auditors received no remuneration for non-audit work. In addition to the £825,666 (2014-15 £572,717) Financial Assistance for Opposition Parties above, staff costs of £80,316 (2014-15 £66,617) 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.

Notes to the Resource Accounts – continued**5. Income**

	2015-16	2014-15
	£000	£000
Catering and Retail Services sales	4,764	4,427
Pension contributions and transfers in	-	1,509
Fees, charges and rental income	133	1,057
	4,897	6,993

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 2015	838,329	3,371	3,739	9,575	2,506	14,554	11,984	884,058
Additions	17,406	-	55	599	416	12	7,575	26,063
Disposals	-	-	(184)	(419)	-	-	-	(603)
Reclassification	7,462	-	-	-	-	-	(7,462)	-
Revaluations	167,219	119	-	-	-	1,371	-	168,709
At 31 March 2016	1,030,416	3,490	3,610	9,755	2,922	15,937	12,097	1,078,227
Depreciation								
At 1 April 2015	397,767	422	2,069	7,841	461	-	1,840	410,400
Charged in year	6,359	68	325	640	194	-	-	7,586
Disposals	-	-	(184)	(415)	-	-	-	(599)
Reclassification	-	-	-	-	-	-	-	-
Revaluations	100,377	1	-	-	-	-	-	100,378
At 31 March 2016	504,503	491	2,210	8,066	655	-	1,840	517,765
Net book value at 31 March 2016	525,913	2,999	1,400	1,689	2,267	15,937	10,257	560,462
Net book value at 31 March 2015	440,562	2,949	1,670	1,734	2,045	14,554	10,144	473,658
Asset Financing:								
Owned	525,913	2,999	1,400	1,526	2,267	15,937	10,257	560,299
Finance leased on balance sheet (SoFP) service concession arrangement	-	-	-	163	-	-	-	163
Carrying amount at 31 March 2016	525,913	2,999	1,400	1,689	2,267	15,937	10,257	560,462

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 2015	56,790	29,079	719,693	32,767	11,968	850,297
Additions	-	-	17,228	178	7,575	24,981
Disposals	-	-	-	-	-	-
Reclassification	-	-	7,462	-	(7,462)	-
Revaluations	3,656	4,021	157,464	2,078	-	167,219
At 31 March 2016	60,446	33,100	901,847	35,023	12,081	1,042,497
Depreciation						
At 1 April 2015	-	-	392,376	5,391	1,840	399,607
Charged in year	-	-	5,477	882	-	6,359
Disposals	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
Revaluations	-	-	99,982	395	-	100,377
At 31 March 2016	-	-	497,835	6,668	1,840	506,343
Net book value at 31 March 2016	60,446	33,100	404,012	28,355	10,241	536,154
Net book value at 31 March 2015	56,790	29,079	327,317	27,376	10,128	450,690

Notes to the Resource Accounts – continued

	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 £000	Total £000
	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 and buildings

The Parliamentary Estate was revalued during 2015-16 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 2016. The total value of the Palace as at 31 March 2016 was £1,133,891,730 (House of Lords share £453,556,692).

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 2015-16 the furniture was valued by Bonhams who gave an indicative valuation for purposes of insurance and a market value. The market value was the value used at 31 March 2016. The value of the antique furniture as at 31 March 2016 was £14,888,622.

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 2016 was £731,709 (2014-15 - £728,761). Details of the Works of Art Collection Fund are in note 16.

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 2016 was £81,179 (2014-15 - £81,179).

iv. Members' Robes

The value of the donated Members' Robes as at 31 March 2016 was £217,453 (2014-15 - £217,453).

Assets under Construction

During 2015-16 significant renovation continued on two buildings. One renovation completed during the year and transferred from 'assets under construction' back to 'land and buildings'; the NBV of the transfer was £7,462,000. Capital expenditure incurred for the major overhaul for the second building totalled £2,344,000.

Revaluation of the Parliamentary Estate

The revaluation exercise of property, plant and equipment during the year resulted in £69,028,000 of the revaluation gain being adjusted against the revaluation reserve, including the transfer between reserves (2014-15 – £9,800,000 gain) and a loss of £3,593,000 being charged to operating costs (2014-15 – £880,000 gain).

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

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

	2015-16	2014-15
	£000	£000
Cost or valuation		
At 1 April	2,731	2,676
Additions	77	90
Disposals	(13)	(35)
Revaluation	-	-
At 31 March	2,795	2,731
Amortisation		
At 1 April	2,538	2,504
Charged in year	139	69
Disposals	(13)	(35)
Revaluation	-	-
At 31 March	2,664	2,538
Net book value at 31 March	131	193
Net book value at 1 April	193	172

8. Capital and other commitments*8.1 Capital commitments*

	31 March 2016	31 March 2015
	£000	£000
Contracted capital commitments at 31 March not otherwise included in these financial statements:		
Property, plant and equipment	15,669	12,753

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 2016 £000	31 March 2015 £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	1,184	1,196
	<hr/> 1,242	<hr/> 1,254
Other:		
No later than one year	92	94
Later than one year and not later than five years	134	155
Later than five years	0	0
	<hr/> 226	<hr/> 249

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 2016 £000	31 March 2015 £000
Rentals due within one year	85	86
Rentals due later than one year and not later than five years	93	178
Rentals due later than five years	-	-
	<hr/> 178	<hr/> 264
Less interest element	(10)	(22)
Present value of obligation	<hr/> 168	<hr/> 242

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

	31 March 2016 £000	31 March 2015 £000
Service charges due within one year	130	139
Service charges due later than one year and not later than five years	131	262
Service charges due later than five years	-	-
	<hr/> 261	<hr/> 401

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 £154,635 (2014–15: £114,809).

Notes to the Resource Accounts – continued**9. Cash and cash equivalents**

	£000
Balance at 1 April 2015	416
Net change in cash and cash equivalent balances	(207)
Balance at 31 March 2016	209

	31 March 2016 £000	31 March 2015 £000
The following balances were held at:		
Government Banking Service	68	132
Commercial banks and cash in hand	141	284
Balance at 31 March	209	416

10. Trade receivables and other current assets

	31 March 2016 £000	31 March 2015 £000
Amounts falling due within one year:		
Trade receivables	1,525	580
Deposits and advances	102	109
Prepayments and accrued income	117	441
VAT	706	243
	2,450	1,373

Details of the year end balances relating to joint and shared services with the House of Commons are contained in note 14 *Related-party transactions*.

Notes to the Resource Accounts – continued**11. Trade payables and other current liabilities**

	31 March 2016 £000	31 March 2015 £000
Amounts falling due within one year		
Trade payables	1,925	2,836
Other payables	1,429	1,839
VAT	-	-
Accruals and deferred income	2,374	2,460
Amounts issued from the Consolidated Fund for supply but not spent at year end	209	416
Current part of imputed finance lease element of on-balance sheet (SoFP) service concession arrangements	78	74
	6,015	7,625
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	90	168
	90	168

Details of the year end balances relating to joint and shared services with the House of Commons are contained in note 14 *Related-party transactions*.

Notes to the Resource Accounts – continued

12. Provisions for liabilities and charges

12.1 Pension and pension related provision

Overview

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)*. *HOLSPS* was an unfunded defined benefit scheme ‘by analogy’ to the *Principal Civil Service Pension Scheme (PCSPS)* and in line with HM Treasury guidance it was accounted for in the House of Lords Resource Accounts under the terms of *IAS 19 Employee Benefits*. The Statement of Financial Position as at 31 March 2015 included a provision against which future pension benefits would be charged when paid. Details of the methods and assumptions used in calculating the pension valuation, and the sensitivity of the results, can be found in note 13.1 in the 2014-15 Resource Accounts²¹.

From 1 April 2015 the liabilities associated with the House of Lords Staff Pension Scheme (*HOLSPS*) transferred to the Cabinet Office and the Civil Service pension arrangements. During 2015-16 the process began for making a transfer payment to the Cabinet Office covering the liabilities of the *HOLSPS*. In advance of a final valuation an initial estimate provided by the Government Actuary’s Department lead to an interim payment on account of £100m being paid. The valuation process will continue into 2016-17. The provision as at 31 March 2015 was £140m and calculated using the assumptions required by *IAS 19 Employee Benefits*. As at 31 March 2016 the pension liability has transferred to the Cabinet Office however the final valuation figure for the related transfer payment has yet to be calculated. The Statement of Financial Position retains the balance of £40m, of which all or part will be paid to the Cabinet Office at a future date once the final figure is agreed.

Analysis of movement in scheme liability and related provision

	2015-16 £000	2014-15 £000
Value of liabilities at 1 April	140,085	122,348
Current service cost	-	3,983
Employee contributions	-	1,092
Interest on scheme liability	-	5,360
Net pension transfers in/(out)	(100,000)	122
Benefits payable	-	(3,428)
Actuarial (gain)/loss	-	10,608
Balance at 31 March	40,085	140,085

12.2 Other Provisions

In 2015-16 the House of Lords provided £10k for the House’s contribution towards shared costs relating to the departure costs of staff of shared services. No provisions were made in 2014-15.

	2015-16 £000	2014-15 £000
Value of liabilities at 1 April	-	28
Provided in the year	10	-
Provision written back	-	-
Provision utilised during the year	-	(28)
Balance at 31 March	10	-

²¹ www.parliament.uk/documents/lords-information-office/2015/HL-resource-accounts-2014-15.pdf

Notes to the Resource Accounts – continued

13. Contingent liabilities disclosed under IAS 37

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

	At 1 April 2015	Increase in year	Liabilities crystallised in year	Obligation expired in year	At 31 March 2016
	£000	£000	£000	£000	£000
Works of Art on loan from various collections	11,784	223	-	(207)	11,800

In addition to the above the House of 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.

14. 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 Digital 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%
Broadcasting Services	40%	60%
Parliamentary Digital Services	30%	70%
Visitor Tours, Education, Outreach	30%	70%
Security	30%	70%
Parliamentary Procurement and Commercial Service	30%	70%
Parliamentary Archives	60%	40%

The House of Commons incurred expenditure of £54,672,000 (2014-15 - £41,597,000) on behalf of the House of Lords during 2015-16. At the financial year end the amount relating to accommodation, works and other shared services owed to the House of Lords by the House of Commons was £923,000 (2014-15 - £1,497,000 owed to House of Commons by the House of Lords). The House of Lords incurred expenditure of £1,251,000 (2014-15 - £1,028,000) on behalf of the House of Commons during 2015-16. At the financial year end the amount owed to the House of Lords by the House of Commons was £100,000 (2014-15 - £144,000).

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 retained the historic ratios, and pension costs being recharged. There was also an increase in the Lords' stake in digital services. The changes were implemented with effect from 1 April 2015. The net transfer of costs from the Commons to the Lords was estimated to be approx. £3m per year.

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

15. 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. 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 2015-16 amounted to £4,649,786 (2014-15 - £4,380,442). The Banqueting and Retail operations made a net contribution of £1,132,174 (2014-15 - £990,219) to the costs of Catering and Retail Services. In 2015-16 the net overall cost, including staff costs, costs of goods sold, and directly attributable overheads, amounted to £1,207,827 (2014-15 - £1,348,673).

16. 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.

	2015-16 £000	2014-15 £000
Opening balance of Fund at 1 April	20	28
Add receipts: Grant for Works of Art Collection Fund	10	-
	<u>30</u>	<u>28</u>
Less: Purchases during the year (see below)	12	8
Closing Balance of Fund as at 31 March	<u>18</u>	<u>20</u>

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

Description	£
Portrait of the Lord Speaker	12,000
Total	12,000

17. Events after the reporting period

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

In the Accounting Officer's opinion there have been no events since 31 March 2016 that would affect the financial statements.

