



HOUSE OF LORDS

Annual Report and
Resource Accounts
2016-17

For the year ended 31 March 2017

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Foreword by the Clerk of the Parliaments

This report is the first House of Lords Annual Report to be combined with our Resource Accounts. I hope that this change will draw together into a single, comprehensive document an account of our activity in 2016–17 in the round.

The year saw the taking office of a new Lord Speaker and a new Senior Deputy Speaker, on 1 September 2016, and the establishment of new governance arrangements, with domestic committees restructured under a House of Lords Commission. New external members have been recruited to both the Management Board and the Commission. The 23 June referendum on the UK's membership of the EU led to an increase in select committee activity, as well as debate and scrutiny in the Chamber, and significant interest in briefings prepared by the House of Lords Library.

As well as adapting to these changes, the Administration continued to work on a range of programmes and projects aimed at improving the services that we provide to members, the public, and each other. 2016–17 saw the taking in-house of the publication of our key procedural documents and the associated deployment and bedding in of several online platforms to improve our work in supporting the House, and to enhance the availability of data about that work to the public. These included new systems for authoring and publishing amendments, and the House of Lords business paper, and the continued success of a new Hansard site, launched in March 2016. The year also saw the recruitment of our first Diversity and Inclusion Manager, and the development of a strategy and action plan to help us achieve our aim of becoming a more diverse and inclusive workplace. Implementing our strategy through that action plan will be a priority for 2017–18.

As well as the ways we work, where we work has become an important topic. Projects to renovate and improve the Lords estate, in particular Millbank House, have made progress in 2016–17 and are expected to deliver in 2017–18. More broadly, following the publication of the report of the Joint Committee on the Palace of Westminster in September 2016, we now await a decision in principle by both Houses as to the way forward for the restoration and renewal programme, necessary to replace the services and infrastructure in the Palace, much of which is at end of life. We expect that decision early in the new Parliament so that the necessary preparations can proceed in a timely way.

Ed Ollard
Clerk of the Parliaments

Performance report

The purpose of the performance report is to present an overview of the Administration, its objectives, the key risks it faces and how it has performed during the year to 31 March 2017.

Strategic aim and objectives 2016-21

Over the course of the last financial year we consulted on and adopted a new strategy for the House of Lords Administration for 2016-21. The strategic aim of the House of Lords administration was re-defined as being “to support and strengthen the House and its members in carrying out their parliamentary functions.” A simplified set of objectives was agreed to sit beneath this aim: to provide effective services to facilitate the work of the House; to promote public understanding of the House and engagement with its work; and to make parliament more safe, secure and sustainable. Our strategy on a page can be found [here](#).

We consider our performance in relation to the strategic objectives later in this report. It should be noted however that the business plan for 2016-17 was based on the former Strategic Plan 2014-19, and performance is considered in relation to those strategic objectives for the purpose of this report.

Corporate governance

The Commission, domestic committees and the Management Board

The Commission is the principal member committee and sets the strategic and policy framework and financial limits within which the Finance and Services Committees, and the House’s Administration, operate. It works with the Management Board to develop, set and approve the strategic business plan and the annual business and financial plans for the Administration, and to monitor its performance.

The Commission is chaired by the Lord Speaker, who is elected by members of the House for a five year term. His principal role is to oversee daily business in the Chamber, and to act as an ambassador for the work of the House. As chair of the Commission he plays a key role in the House of Lords Administration. The current Lord Speaker is the Rt Hon the Lord Fowler, who took office on 1 September 2016.

The Senior Deputy Speaker deputises for the Lord Speaker. This is a new role which was created following the report by the Leader’s Group on Governance (see below). The first Senior Deputy Speaker is Lord McFall of Alcluith, who was appointed on 21 July 2016 and took up office on 1 September 2016. He is the spokesperson in the House for the Commission. All parliamentary business relating to the Services Committee and Finance Committee is submitted to the Senior Deputy Speaker, and he may assign responsibility for answering written questions or debates to the relevant committee chairman.

The Management Board takes strategic and corporate decisions for the House Administration within the policy framework set by the Commission. The Clerk of the Parliaments chairs the Board. The other members of the Board include the directors of key functions in the House of Lords, and our external member, Jane May. The Director of the Parliamentary Digital Service sits on the Board and the Director of Security for Parliament attends the Board when appropriate. Further information about the Management Board can be found on the [parliamentary website](#).

Leader's Group on Governance

A Leader's Group on Governance was appointed in March 2015 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 2016. 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 2016. The House of Lords Commission was established in place of the former House Committee in September 2016, along with the new Services and Finance Committees. The Services Committee supports the Commission by agreeing day-to-day policy on member-facing services and providing advice on strategic policy decisions. The Finance Committee supports the Commission by considering financial matters, in particular by scrutinising the annual financial plans and draft estimates before their consideration by the Commission.

Organisational structure

The key functions of the House of Lords Administration are set out below.

Clerk of the Parliaments' Office: corporate services

The Clerk of the Parliaments' Office supports the Clerk of the Parliaments in carrying out his functions and responsibilities, and supports the Corporate Services functions of the Management Board. The Office supports the Lord Speaker, Clerk Assistant and Reading Clerk, and provides administrative support for the Commission, Audit Committee, Finance and Services Committees, the Management Board and the Business Planning Group. The Office is also responsible for strategy and business planning, communications, information compliance, internal audit, the Overseas Office and certain other corporate functions.

The *Communications team* reports to the Reading Clerk and aims to increase public understanding of the role, work and membership of the House; promote the impact and outcomes of the work of the House; and highlight the relevance of the work of the House to UK citizens. It does this through managing the House's relationship with the media, producing and disseminating information about the House and its work, overseeing the work of the shared services providing education, outreach, engagement and visitor services; and providing an enquiry service that responds directly to requests from the public. Following a reorganisation in April 2017 the communications team also now manages internal communications with staff and members.

Parliamentary Services

Parliamentary Services is a grouping of five offices which closely support the work of the House and its committees:

- The *Committee Office* provides the investigative select committees of the House with research, procedural and legal advice and administrative support, including the preparation and publication of committee reports.
- The *Journal Office* comprises the Registry, which maintains records of the membership and business of the House and compiles the Journals of the House; the Table Office, which

advises members on the tabling of parliamentary business and produces the *House of Lords Business* publications, including the Minutes of Proceedings; the Printed Paper Office, which is responsible for providing documents required by members to discharge their parliamentary functions; and the printing and publishing units which prepare and publish official material in-house. The Office supports the Senior Deputy Speaker in the discharge of his functions. The Office is also responsible for the Registrar of Lords Interests and supports the House of Lords Commissioner for Standards.

- The *Legislation Office* supports the consideration and passage of primary public and secondary legislation through the House and through the relevant select committees.
- The *Library* provides impartial, authoritative, timely research and information services to support the work of the House.
- The *Official Report (Hansard)* provides overnight a complete, authoritative and timely report of proceedings in the Chamber and Grand Committee, as well as Written Answers and Written Ministerial Statements. Transcripts of select committee evidence sessions are also produced.

Black Rod's Office

Black Rod is responsible for controlling access to and order in the House and its Chamber; business resilience and continuity arrangements, including chairing the Parliamentary Business Resilience Group; planning, management and coordination of events including the State Opening of Parliament, and other ceremonial events; managing media and filming activities; and the administration of the royal parts of the Palace of Westminster (Robing Room, Royal Gallery, Westminster Hall, Chapel of St Mary Undercroft).

Department of Facilities

The Department includes two offices: *Property and Office Services (POS)* and *Catering and Retail Services (CRS)*. Property and Office Services provides a varied range of support to Members and staff through the provision and management of accommodation, housekeeping, and other associated office services; stakeholder representation in major projects and developments affecting the House of Lords; the management of conference rooms, both in the outbuildings and the committee corridor via our team of Attendants; manning of outbuilding reception areas and the Peers' Lobby office; providing a centralised point of contact for members and staff relating to office moves, maintenance, furniture and fitting; contract management; and facilitating ceremonial events.

CRS is responsible for the provision of catering and retail services to members, their guests and staff. In total CRS operates eight outlets offering a diverse range of facilities that include self-service cafeterias, casual dining and fine dining restaurants, bars, a sandwich bar and a retail gift shop. CRS is also responsible managing an extensive banqueting and events business providing bespoke catering for Members' private functions and official House of Lords events, and a range of meeting room and venue refreshments. The CRS team caters for over 350,000 transactions annually, with over 1500 customers using the service from 07:30am until late at night on a typical day when the House is sitting.

The Department of Facilities is also responsible for the Parliamentary Safety Team, a shared service which is hosted by the House of Commons, in its work supporting the House of Lords Administration.

Human Resources Office

The Human Resources Office provides a personnel service for the Administration's staff (but not members' staff) and is responsible for the recruitment of staff, maintenance of the pay and grading

systems and other conditions of service, pay negotiation and authorisation, training, superannuation, performance management and grievance and disciplinary matters. The Office is also responsible for the Health and Wellbeing Service with respect to House of Lords staff; this is a shared service which is hosted by the House of Commons.

Finance Department

The Finance Department is responsible for providing accounting and financial services to the House, including financial management and administration; financial reporting; resource and cash management; payments to members, suppliers and staff; and accounting for receipts from members, staff and the public. It includes the Parliamentary Procurement and Commercial Service (see below under Shared Services).

Shared services and joint departments

A number of shared services are provided by one House on behalf of both, while a joint department provides digital services. The most significant shared services are listed below.

Strategic Estates and In-house Services

Maintenance of the Palace and the parliamentary estate is provided as a shared service, hosted by the House of Commons and provided by the Strategic Estates team and the In-house Services team. Expenditure on the Palace and the parliamentary estate is split between the Lords and Commons on a 40:60 ratio, or solely allocated to either House where appropriate.

Parliamentary Digital Service

The Parliamentary Digital Service is a joint department which is responsible for the management of online and digital services and is led by the Director of the Digital Service. Each House pays for its own ICT hardware and House-specific software, and the costs of the Digital Service itself are split between the Lords and Commons on a 30:70 ratio.

Parliamentary Security Department

The Parliamentary Security Department is responsible for the security of Parliament and is hosted by the House of Commons. It is led by the Director of Security for Parliament who is the single accountable security expert for Parliament as a whole. The Director also manages the contract with the Metropolitan Police Service for the provision of security across the parliamentary estate. Costs are split between the Lords and Commons on a 30:70 ratio.

Parliamentary Procurement and Commercial Service

The Parliamentary Procurement and Commercial Service provides a procurement and contract management support service for both Houses, and is hosted by the House of Lords. Costs are split between the Lords and Commons on a 30:70 ratio.

Parliamentary Archives

The Parliamentary Archives provides an archive and records management service for both Houses, and is hosted by the House of Lords. Costs are split between the Lords and Commons on a 60:40 ratio.

Implementation of business plan by strategic objective

The corporate business plan and the individual office-level business plans for the period 2016-17 were based on the Strategic Plan 2014-19¹. Performance for 2016-17 is considered against the objectives set out below:

- 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 – jointly with the House of Commons, deliver a 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.

Effectiveness

Legislation

During the 2016-17 parliamentary session, the Legislation Office dealt with 84 public bills and prepared and published 5,298 pages of amendment documents and 131 bill documents. A total of 5,185 amendments were tabled and called in the House, compared with 3,678 in parliamentary session 2015-16. These were handled using a new Lords Amendments System (LAS), with all stages of preparation and publication of amendments handled in-house for the first time. Staff of the Legislation Office supported the House's scrutiny of Government bills, helping to prepare amendments and providing procedural advice. The Office also supported members wishing to introduce their own legislation, with 51 Private Members Bills entered for the ballot, and one more introduced later in the session. The Legislation Office also supported the Special Public Bill Committee on the Intellectual Property (Unjustified Threats) Bill.

The Secondary Legislation Scrutiny Committee (SLSC), which examines the policy merits of Statutory Instruments laid before Parliament, published 33 reports on a total of 659 instruments, drawing 51 instruments to the special attention of the House. The Joint Committee on Statutory Instruments (JCSI) which examines the legal drafting of Statutory Instruments (SIs), considered 757 SIs, of which 80 were drawn to the attention of both Houses. The Delegated Powers and Regulatory Reform Committee (DPRRC), which considers the powers proposed to be delegated to ministers in Bills, published 28 reports on 37 bills (Government and Private Members' Bills) and seven sets of amendments.

Three private bills were deposited in November 2016, adding to the four private bills carried over from the last parliamentary session. The HS2 Phase I Bill was introduced into the Lords at the end of session 2015-16 as a hybrid Bill. Private business standing orders applied and those affected were able to petition against it. Over 800 petitions were lodged in the Lords, and the HS2 Bill select committee held 101 public meetings.

¹ The Strategy of the House of Lords Administration 2016-21 can be found [here](#).

Select committee activity

Committee activity expanded with the addition of the International Relations Committee, appointed for the first time in June 2016. 22 committees were active over the session (including three joint committees and seven sub-committees), and in total 170 select committee reports were published during the session, compared with 119 in the preceding session.

Responding to the EU referendum (Brexit)

The EU referendum led to a significant increase in Committee activity. Over 20 Brexit-related reports were published between July 2016 and April 2017. Most of those were by the EU Select Committee and its sub-committees, but there were also reports by the Constitution Committee (on Article 50 and on Delegated Powers and the Great Repeal Bill), the Science and Technology Committee (on UK Science), the Joint Committee on Human Rights (Human rights implications) and the Economic Affairs Committee (Brexit and the Labour Market). In December 2016 the EU Committee launched 'Brexit week' – the unprecedented publication of six reports on six successive days. Their publication was accompanied by a sustained Twitter campaign, and the level of media coverage was substantial.

Brexit required committees to find new and flexible ways of working. For instance, the External Affairs and Internal Market Sub-Committees undertook a joint inquiry on options for future UK-EU trade, leading to the publication, as part of 'Brexit week' in December 2016, of a report on Brexit: the options for trade. The Sub-Committees then followed up this high-level review with separate but coordinated inquiries into trade in goods and non-financial services.

In response to the Brexit-related legislative and select committee activity a dedicated set of webpages drawing together all relevant scrutiny work of the House and its Committees was launched. Inquiries by different Committees can be tracked [here](#), as well as all Brexit-related debates in the House, and all Brexit-related Library briefing notes. Around 20% of the Library's briefings over the last year have been on the subject of Brexit. The overall increase in reference and research inquiries (7,345 – up from 5,514 in 2015-16) has led the Library to re-deploy staff to absorb the additional demand. Library notes have also enjoyed a higher profile than usual this year, with Brexit-related notes frequently being linked on BBC news pages.

Hansard – reporting services

Over the course of the session 100% of Hansard's outputs were published on time, and with record levels of accuracy (only three serious errors in 2016-17, compared to 16 in 2011-12 when first measured). Changes to the staffing as a result of the pay and grading review, in particular the introduction of a new level of sub-editor, have contributed to the new accuracy levels. A new website (<https://hansard.digiminster.com>) was launched in March 2016 and provides a much better user experience, and has delivered a five-fold increase in online traffic.

Business related programmes

A new Lords Business Information System (LBIS), replacing the current Lords Business application and the Registry database, has been developed. LBIS will be the key application supporting the production of core business documents and data on House business activities, delivering time and cost savings and enhancing business resilience. LBIS will go live at the start of the new Parliament in June 2017.

Diversity and Inclusion

A Diversity and Inclusion manager was appointed for the first time in August 2016. Following consultation a diversity and inclusion strategy has been developed, along with an action plan. Both have been agreed by the Board. Implementation of the strategy through the action plan will be a priority for 2017-18. Even before the development of the strategy individual offices have been working with the Diversity and Inclusion manager to widen the pool of applicants to certain roles within the Administration, using new communications channels such as Facebook to generate interest, and placing

advertises in a wider range of publications. This was successfully trialled in a recruitment campaign for doorkeepers, which saw twice the number of women applicants when compared to a previous campaign in 2015, and a nine-fold increase in the number of applicants identifying as BAME.

Efficiency

Security

Following the attack on Westminster on 22 March 2017 two inquiries were commissioned: an external independent review of how the perimeter of the Parliamentary Estate is secured and protected, and an externally-led review of the lessons learned from the operation inside Parliament of the Incident Management Framework (the bicameral response plan which is activated in the case of incidents which threaten to disrupt the activities of either or both Houses). Both reviews will report in the summer of 2017.

Security services in Parliament have been restructured in order better to meet Parliament's needs. 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 (MPS) commenced on 1 April 2016 and the MPS civilian workforce transferred to become PSD staff on the same date. These changes have provided a simpler, clearer and more coherent governance arrangement, designed to improve the efficiency and effectiveness of physical and personnel security management.

Cyber security

Cyber security continues to be a significant threat, as demonstrated by the attack on the parliamentary network on 23 June 2017. Investment co-ordinated through the cyber security programme has continued to improve our ability to manage this risk. This has included not just implementation of a range of technical controls, but also a campaign of training, engagement and awareness raising, to reinforce the human element in cyber resilience. Three cyber security poster campaigns were run over the course of the year and regular communication was maintained through newsletters and email. To date over 3,500 users of the parliamentary network have completed the online cyber security module. This work will continue throughout 2017-18.

Secure technology

In order to ensure that the technology to support members and staff in their work is resilient, reliable and secure, the Digital Service has been working towards delivering the majority of services through the Cloud. New on-premise IT infrastructure is being developed to support this approach; 100 new Wi-Fi access points have been introduced across the Estate. Core network availability is now close to 100%.

Business continuity

Business resilience across Parliament, which is monitored and coordinated by the Business Resilience Group, was developed and strengthened during 2016-17. Parliament's Business resilience plans were successfully reaccredited to the British Standard Business Continuity Benchmark following an external audit by the British Standards Institution in June 2016. A revised business resilience policy was agreed by the House of Lords Management Board and House of Commons ExCo² in January 2017. The Incident Management Team was stood up three times in

² ExCo is the Executive Committee of the House of Commons. It is responsible for the management of the services provided by the Departments of the House of Commons. It delegates operational and delivery matters to the House of Commons Board. For some decisions the counterpart of the House of Lords Management Board is ExCo, whereas for others it is the Commons Board.

response to live incidents in 2016-17: for flooding in summer 2016, a water supply incident in Portcullis House in November 2016 and the terrorist incident of March 2017.

Printing and Publishing

The contract with an outside print services supplier expired at the end of March 2016, since when the Administration has been responsible for printing and e-publishing its own outputs. An in-house reprographics unit was established to publish House documents. The transition required the development of new publishing mechanisms for Hansard and Select Committee Reports, and the transfer of software previously held by the external supplier for all other publications. The transition also required the hosting and management of the www.Publications.Parliament.uk website to be brought in house. The savings in running costs for the House of Lords arising from these changes are just over £1,000,000 per year.

Staff

The Pay and Grading Review of staff was completed and recommended changes implemented over the course of 2016-17. A separate review of senior grade staff using the public sector tool JESP was completed and recommended changes which are being implemented over the course of 2017-18. One of the outcomes of the review was the decision to professionalise the posts of Finance Director and Human Resources Director. Recruitment to these posts will take place early in 2017-18.

A staff survey was conducted in the autumn of 2016. A good response rate was achieved (61%), an increase of four points since the last survey in 2014. The overall staff engagement score was 66%, and improvement was shown in the majority of areas. In general the Administration scored higher than the public sector benchmark. Office level plans to follow up on findings are in place.

In January 2017 the Administration launched its first apprenticeship scheme, welcoming 7 apprentices to work in teams across the Administration. In partnership with the London Apprenticeship Company, the Administration is supporting the apprentices to complete NVQ qualifications in Business Administration, alongside employment in their host teams. Teams across the Administration are benefitting from the scheme, including in the Committee Office, the Clerk of the Parliaments' Office, the Finance Department, Human Resources Office, Catering and Retail Services and the Journal Office.

Delivering savings

The Administration operates in a climate of financial constraint, like all public sector organisations. The Administration has continued to meet the financial remit set for it by the House Committee, of not increasing the resource budget in real terms when compared to 2010-11, subject to the need to maintain the ability of the House and its members to discharge their parliamentary functions in changing circumstances, including increased membership (*for more detail see the financial statements*).

Income generation

In addition to delivering savings the Administration has continued to use commercial dining to generate income to offset the public subsidy for catering. Four dining sessions were held in April, June and September 2016 and in February 2017; all were fully booked and generated highly positive feedback. The net contribution to reducing the subsidy generated by public dining in 2016-17 was £101,330.

Contract management

The Parliamentary Procurement and Commercial Service identified the need for better contract management across Parliament and proactively established best practice rules and templates to assist contract managers. In addition a practitioners' community was established and regular training seminars for contract managers held.

Restoration, Renewal and Stewardship

In 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 was appointed to consider the Restoration and Renewal of the Palace of Westminster and made its [report](#) to both Houses on 8 September 2016. It concluded that the Palace faced "an impending crisis" with "a substantial and growing risk of either a single catastrophic event, such as a major fire, or a succession of incremental failures in essential systems which would lead to Parliament no longer being able to occupy the Palace." The Committee's recommended option for the Restoration and Renewal (R&R) of the Palace was a full decant of both Houses in a single period. This represents the lowest cost and shortest delivery time option. Debates on the report are required in both Houses in order to reach a decision in principle. Debates were due to be scheduled in the spring of 2017 but were delayed due to the general election being called.

In the meantime work has continued on aggressive maintenance of the Palace, including on the mechanical and electrical services, fire safety improvement works, the repair of the cast iron roofs and lift refurbishment. All of these are delivered jointly with the House of Commons. In addition, restoration work has continued on the encaustic floor tiles, as well as Westminster Hall, the Clock Tower, and the Chancellor's and State Officers' courtyards.

Parliamentary Archives

The Archives Accommodation Programme Board continued to build an Outline Business Case for the relocation of the Parliamentary Archives outside the Palace of Westminster, which will be required when the Restoration and Renewal work is commenced. The preferred way forward envisages a single move to a new site if a suitable property can be found. The vision is for the Archives to provide a transformed service to the public as well as a more effective and safer environment for staff and collections.

In 2016-17 the Parliamentary Archives marked the 70th anniversary of its establishment as an office within Parliament and 20 years of records management through a programme of events designed to engage Members, staff and the public. The Parliamentary Archives imaging team undertook four digitisation projects. One of those projects concerned photographs taken of the Palace of Westminster between 1897 and 1902 by Sir Benjamin Stone (MP for Birmingham). This inspired a small modern day photography project and subsequent exhibition to capture new images of the Palace and to re-visit some of the exact locations which Stone photographed.

Engagement

Parliamentary website

Jointly with the House of Commons and with the support of the Digital Service, the Administration contributed to the development of a new parliamentary website. The new beta site was launched on 31 March 2017. The new site is easier to access from mobile devices, reflecting important changes in how information is accessed by the public. In addition to improving technological access, changes to the site's content aim to make information about Parliament simple, clear and easily accessible. Feedback is actively being sought from users.

The new website carries the new UK parliament branding which was the outcome of a bicameral project to develop a parliamentary visual identity. The new visual identity was approved by the Boards of both Houses in February 2017 and launched along with the website. The key benefits are a coherent and consistent visual identity for use across parliamentary digital channels, as well as on and offline by public-facing parliamentary services.

Communicating the work of the House

The communications team explored new ways to promote the work of the House to the media. It ran a digital campaign to promote the House's scrutiny of the European Union (Notification of Withdrawal) Bill, significantly increasing traffic to the Lords website content. The Lords news story on the European Union (Notification of Withdrawal) Bill achieved 30,862 page views, accounting for 34% of all Lords news page views in the final quarter. High levels of engagement were also achieved on Facebook, with a reach of 160,000 for posts on the day after the first reading of the Bill. A number of tweets were embedded into online news stories, including MailOnline, The Telegraph and BBC News. These added significantly to their reach and engagement. Our top tweet earned 29,478 impressions, with 425 engagements, including 59 Retweets.

The campaign to promote six Brexit-related reports in six days in December 2016 was a notable success (see *Select Committee activity*). The reports published in that week generated more than 500 pieces of media coverage for the Committees. The reports also generated 10 pieces of positive editorial in newspapers including The FT, The Guardian and The Irish Times. Much of this coverage commented positively on the reports in the wider context of the EU Committee's Brexit scrutiny.

Online

Engagement with House of Lords' content on the Parliament website and our corporate social media channels continued to grow considerably during 2016-17. There were 869,184 page views of www.parliament.uk/lords web pages – up from 810,399 the previous year. On Twitter, @UKHouseofLords acquired 36,349 new followers, bringing it to a total of 220,039 by the end of the year. The account is followed by major media outlets, organisations and interest groups, political parties, members of both Houses, journalists and members of the public.

All our digital and social platforms saw increases in engagement during the final quarter of the year, due to the progress of the EU (Notification of Withdrawal) Bill through the House and the broadcasting of the BBC's documentary series *Meet the Lords*. Campaigns were used to capitalise on the interest generated by both.

Another highlight for Facebook engagement were the remarks by the Lord Speaker regarding the potential state visit of President Trump. This drove the single greatest one-day increase in 'Likes' in 2016-17, with an increase of 441 on the day the remarks were made.

House of Lords videos on YouTube were watched 37,636 times during the year and, by the final quarter, views of the work of the House on www.parliamentlive.tv exceeded 100,000 – a substantial increase on previous peaks.

Education Service

The Education Service continued to expand its activities, welcoming over 92,000 school visitors. This is a significant increase compared to 2015-16 (nearly 80,000). In addition to the activities which take place in Parliament, the Education Service has an outreach programme which engages pupils in their own schools – either directly or via online services. Over 40,000 students were reached in this manner. The Education Service also trained over 3,000 teachers to help them

engage their students in learning about Parliament and democracy. This is a service provided by the Commons for both Houses.

Peers in schools

The peers in schools programme continued to grow, with 182 visits taking place in 2016-17. The programme involves sending members into schools to talk about the work of the House of Lords. Since its inception in 2007, over 1800 visits have taken place, and over 100 peers have been involved. State schools are prioritised.

Partnership

As already indicated a large number of services are delivered bicamerally, and staff of the Lords, Commons and the Parliamentary Digital Service collaborate closely in many areas.

The Finance Directors of the two Houses worked together to establish an Enterprise Programme Management Office (EPMO) whose work supports the Joint Investment Board and the Management Boards of the two Houses. The EPMO collates management information on the progress of projects and programmes across Parliament for the Boards to scrutinise. It also supports the programme and project management community across Parliament.

The Libraries of the two Houses have continued to cooperate closely on the management of information resources, including agreeing an approach to harmonise cataloguing practices ahead of the procurement of a new library management system. Regular collaboration with the Commons Library is enabling lessons learned to be shared, for example in relation to ebooks, which the Lords Library introduced in 2016-17 and which will be expanded to the Commons Library in 2017-18.

The Joint Working programme

Following a review of joint working between the two Houses in 2015-16, it was agreed to establish a Joint Working Programme team to consider in detail the case for joint working in several areas identified by the review. Work has continued throughout 2016-17 and has included mapping the differences in staff terms and conditions between the two Houses with a view to considering how they might be more closely aligned; commissioning consultants to review how best to align the two Houses' HR and Finance IT systems; and consideration of whether the creation of a new joint department (like PDS), or other models, would be the right answer for future shared services.

Parliamentary strengthening

The Administration is committed to engaging and exchanging best practice with members and staff of others Parliaments and Assemblies. The Overseas Office contributed to the organisation and delivery of the latest meeting of the Society of Clerks-at-the-Table in Commonwealth Parliaments in December 2016, as well as the Meeting of the Standing Committee of Conference of Speakers and Presiding Officers of the Commonwealth in January 2017, both of which were held at Westminster.

During the year 33 programmes were arranged for foreign dignitaries, speakers, members and officials on attachment from overseas legislatures. These included members of parliament from Pakistan, Indonesia, Australia, Laos and New Zealand. Visits were also arranged for members of parliamentary committees such the Electoral Committee of the Chamber of Deputies of the Czech Parliament. Visits from parliamentary officials included those from the parliaments of Romania, Estonia, Japan, Morocco, the USA, France, Hong Kong and others.

The Overseas Office also facilitated the participation by members in a representative capacity at international meetings of parliamentarians. These focused on issues such as the rule of law

(9th Session of the Consultative Assembly of Parliamentarians for the International Criminal Court and the Rule of Law held in Senegal) and security (Parliamentary Assembly meeting of the Organisation for Security and Cooperation in Europe on “Security Policy – Female Perspectives”, held in Vienna). In addition, the Office provided administrative support to staff participating at annual parliamentary meetings and conferences at official level.

As part of the latest EU Twinning Project lead by the Parliament of Hungary, the Overseas Office continued to participate in parliamentary strengthening activities for the Parliament of Kosovo by providing expert staff to deliver parts of the project.

The Editor of the House of Lords Official Report (Hansard) is currently the President of the Commonwealth Hansard Editors Association (CHEA) and is preparing, jointly with the Commons, for the next conference of CHEA which is due to be held in Westminster in July 2018.

Ed Ollard

Clerk of the Parliaments and Accounting Officer

11 July 2017

Accountability report

Management Commentary

Scope

The House of Lords Administration presents the accounts of the House of Lords for the financial year ended 31 March 2017. 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

For the 2016-17 financial year³ the strategic aim of the House of Lords Administration was to enable the House and its members to carry out their parliamentary functions effectively⁴. The detailed strategic objectives are set out on page 4.

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 *House of Lords Business Plan 2016-17* ([HL Paper 37](#)) was published in July 2016. It included the business plan and the financial plan for 2016-17 to 2018-19. It also included the *Medium Term Investment Plan: Investing in Parliament 2016-20*, a joint plan for the House of Commons and the House of Lords. The *House of Lords Business Plan 2017-18* was published on 7 June 2017.

Financial Review

Financial remit and savings

The House of Lords Administration is subject to a financial remit. It originated in 2010 and is included in the *Business Plan*. It states that 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 led to a resource control total of £117m for 2016-17. Adjusting for exceptional and technical accounting items, the Administration has met this financial remit.

³ During the year the House of Lords Administration adopted a new strategy which redefined the strategic aim and has simplified set of objectives. The strategy on a page can be found [here](#).

⁴ House of Lords Administration Strategic Plan 2014-19 can be found [here](#).

Table 1 - Resource costs compared to revised baseline

	2016-17 Outturn £m	2015-16 Outturn £m	% change
Net operating costs	71.7	96.0	
Technical accounting adjustments			
Property revaluation (loss)/gain	2.4	(3.6)	
Pension related provision adjustment	26.1	-	
Underlying Resource expenditure before technical accounting adjustments	100.2	92.4	8.4
Resource control total (revised)	117.0	118.0	

The 2016-17 annual valuation of the Parliamentary Estate resulted in a net loss on revaluation of property, plant and equipment of £23.5m. Such movements are accounted for on a building by building basis and this meant a gain on the valuation of £2.4m was credited to net operating costs, and a loss on revaluation of land and buildings of £25.9m was charged to the revaluation reserve.

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 latest valuation information relating to the merger of the House of Lords Staff Pension Scheme with the Civil Service Pension Scheme meant £26.1m of the provision held to meet this obligation was written back in the year.

Comparison of the 2016-17 outturn with the 2016-17 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 2016-17 Parliament voted limits on:

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

The House of Lords Administration's outturn on net total resource (DEL and AME) for 2016-17 was £71.7m, recognising a £34.1m underspend against the revised Estimate of £105.8m, which included a Supplementary Estimate.

Table 2 – Estimate against outturn

	2016-17 Estimate £m	2016-17 Outturn £m	Variance	
			£m	%
Resource DEL	104.3	100.2	4.1	3.9
Resource AME	1.5	(28.5)	30.0	2000.0
Net resource requirement	105.8	71.7	34.1	32.2
Capital DEL	51.3	43.4	7.9	15.4
Net cash requirement	144.2	134.2	10.0	6.9

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

- Resource DEL
 - Staff costs were under budget by £1.0m due to vacancies and related costs;
 - ICT costs, including shared services and ICT were £1.1m less than forecast;
 - Some reserve budgets, held centrally, were not used contributing £0.5m to the under spend;
 - Other costs were £1.5m less than expected across a variety of areas including, shared services with the House of Commons, consultancy costs, communications, training, and printing and publication costs.
- Resource AME
 - Budgetary provision was provided in relation to a potential non-cash year end adjustment required relating to movements in the annual valuation of the Parliamentary Estate. This did not occur and so outturn was £3.9m less than the budget;
 - The release of £26.1m of the provision held to meet the final valuation of the pension transfer was not budgeted
- Capital expenditure
 - the delay to a decision in principle for the Restoration and Renewal project meant there was a £1.1m underspend against the revised budget;
 - the Millbank House project spent £1.7m less in 2016-17 than forecast;
 - other estates capital projects and programmes had underspends totalling £2.8m due to their timing and re-profiling;
 - £1.0m of the capital underspend was due to re-prioritisations relating to a variety of ICT programmes and projects including the Audio Visual and the unified communications programmes;
 - £0.9m less than budgeted was spent on ICT assets and £0.4m on other capital items.

Cash

The net cash requirement used was £134.2m against the Estimate limit of £144.2m. The variance of £10.0m includes a capital underspend of £8.0m, and a change in working capital at the year-end of £1.0m.

Net Assets

Net assets employed by the House of Lords increased by £36.6m to £553.9m. The increase is a result of the adjustment to pension related provision of £26.1m, an increase in non-current assets of £11.4m, primarily due to capital expenditure in the year, and a movement in working capital and other non-current liabilities of £0.9m.

House of Lords Estimate

The House of Lords budget for 2017-18 was agreed by the House of Lords Commission in December 2016. 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 2017. The Main Estimate was published in April 2017 and is normally authorised by Parliament in July, when the Supply and Appropriation (Main Estimates) Act is passed.

Significant events during the financial year

House of Lords Staff Pension Scheme

On 1 April 2015 the liabilities associated with the *House of Lords Staff Pension Scheme (HOLSPPS)* were 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 *HOLSPPS*. The *HOLSPPS* 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 is intended to simplify the House of Lords' estimate 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*. The provision as at 31 March 2015 was £140m and calculated using the assumptions required by *IAS 19 Employee Benefits*. 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 in 2015-16. During 2016-17 work continued on calculating the final valuation figure and the final payment is expected to be made in 2017-18. At 1 April 2016 the Statement of Financial Position retained a balance of £40m to meet this obligation. Following the further work, and as advised by the actuaries based on their assessment of the information available at the time, the balance as at 31 March 2017 has been reduced to £14m, of which all or part will be paid to the Cabinet Office at a future date once the final figure is agreed.

Restoration and Renewal of the Palace of Westminster

As referred to on page 12, both Houses are yet to make decisions on the preferred approach to the restoration and renewal of the Palace of Westminster. The House of Lords contribution to date for the programme is £8.1m (2016-17: £5.4m). The majority of costs of the programme have been treated as capital (£6.5m capital, £1.6m resource) due to the direct link to the asset. More details are available via the Parliamentary [website](#).

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. The Clerk of the Parliaments for 2016-17 was Sir David Beamish, who retired on 15 April 2017. Ed Ollard was appointed Clerk of the Parliaments from 16 April 2017. Details of the remuneration of the Management Board of the House of Lords are contained in the Remuneration Report (see page 44).

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 2017 the eligible salaries were as follows:

Lord Speaker	£102,101
Chairman of Committees (known as Senior Deputy Speaker)	£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 basis⁵.

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 for 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 2016-17 has been based on continuous monitoring of payments throughout the year and 97.0% (2015-16: 96.6%) 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 2016-17 was £67,000 (2015-16: £67,000). The auditor was not remunerated for any further assurance or advisory services.

⁵ 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 [here](#).

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 of Lords Commission 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' Resource 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.

As the Accounting Officer, 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. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I also confirm that this annual report and accounts is whole, and I take personal responsibility for judgements made to ensure that it is fair, balanced and understandable.

Ed Ollard
Clerk of the Parliaments and Accounting Officer

11 July 2017

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 of Lords Commission (appointed by the House) and the Audit Committee, which it appoints.

This Governance Statement relates to a period when I was not the Accounting Officer. My predecessor, Sir David Beamish, retired on 15 April 2017. I was his deputy throughout the financial year 2016-17, and therefore consider I have sufficient knowledge, and had sufficient involvement, to take responsibility for this statement.

Corporate governance framework in the House of Lords

As set out on page 5, the governance framework has undergone a series of changes in the last 12 months following the recommendations of the Leader's Group on Governance.

The House of Lords Commission

The House of Lords Commission provides high-level strategic and political direction for the House of Lords Administration on behalf of the House. There are 12 members of the Commission, ten of whom are members of the House, and two external members. The membership of the Commission differs from its predecessor, the House Committee, by including the Chairs of the Finance and Services Committees, as well as the Chair of the Audit Committee, who is an external member. Recruitment for a second external member was undertaken in the spring of 2017, leading to the appointment of Mathew Duncan, who joined the Commission on 27 June 2017. The Commission met seven times during 2016-17; its predecessor body met on three occasions between April 2016 and September 2016. Further details of full membership and work of the Commission, including minutes, agendas and attendance, are published on the [parliamentary website](#).

The most recent [Annual Report](#) was published in August 2016 and assesses the achievement of the objectives in the 2015-16 Business Plan. The Business Plan for 2016-17, which incorporated the Financial Plan and the Medium-Term Investment Plan, was published in July 2016.

Audit Committee

Under the new governance framework the Audit Committee is appointed by the Commission (as it was previously, by the House Committee). Its membership includes five members of the House and two external members. It is chaired by one of the external members, Liz Hewitt. 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.

The Audit Committee reports on its activities to the Commission, through its Chair, twice yearly. It also produces an annual report, setting out the work undertaken by the Committee during the year and the internal and external audit work considered, which is published with this Report and Accounts (see pages 31-36).

The Committee met five times in 2016-17 (in April, July and October 2016 and in January and March 2017) and additionally met jointly on two occasions with the House of Commons Administration Estimate Audit and Risk Assurance Committee (in July 2016 and January 2017). Attendance of Audit Committee members is set out in the Audit Committee Annual Report on page 31. Minutes, agendas and attendance for meetings are published on the Parliamentary [website](#). 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. 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](#).

The Committee conducted a self-assessment exercise in November/December 2016, details of which are provided in the Committee's annual report on page 35. The Committee intends to commission an external review of its effectiveness in the next financial year.

Management Board

The House of Lords Management Board provides collective leadership and takes strategic and corporate decisions for the House Administration within the policy and financial framework set by the House of Lords Commission. The Board is chaired by me and meets regularly. 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). From December 2016 until April 2017 Penny Young, Librarian and Managing Director for Research and Information and Managing Director for Participation in the House of Commons attended the Management Board meetings. Recruitment for an external member of the Management Board took place in early 2017 and led to the appointment of Jane May, who started attending Board meetings from May 2017. The full membership of the Board can be found on the parliamentary [website](#).

The Board is supported by other standing sub-committees, the membership of which includes representatives from the Management Board. These are set out in the table below:

Board or Group	Status	Role
Digital Strategy Board	Joint sub-committee of the Lords Board and Commons Board	The Digital Strategy Board (DSB) is chaired by me. It 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 Board	The Joint Investment Board (JIB) is chaired by the Director General of the House of Commons. The JIB is responsible for developing the Medium-Term Investment Plan, for bicameral digital and estates expenditure, and makes recommendations to both Boards accordingly.
Business Resilience Group	Joint sub-committee of the Lords Board and Commons Board	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.
Information Authority	Joint sub-committee of the Lords Board and Commons Board	The bicameral Information Authority, which is co-chaired by the House of Commons and Lords Senior Information Risk Owners (SIROs), works to ensure that the benefits of parliamentary information are realised while containing the risk of inappropriate access to information.

Business Planning Group	Sub-committee of the Lords Board	The Business Planning Group is chaired by the Reading Clerk (Director of Corporate Services). The Business Planning Group advises the Board on issues relating to business planning, risk management, organisational performance management and corporate governance.
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The Director of Security for Parliament (DSP) is responsible for the strategy, planning and overall delivery of security across the Parliamentary Estate. 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, and financial, property and other updates. The Board prepares the strategy, business plans, financial plans, and annual estimates for approval by the Commission.

The Board met 21 times during 2016-17, including one awayday, and two joint meetings and one joint awayday with the House of Commons Board. The attendance record of individual Board members is shown below.

Board member	Meetings attended (/ total possible if not all 21 meetings)
David Beamish (Clerk of the Parliaments and Chairman)	21/21
Ed Ollard (Parliamentary Services)	21/21
Simon Burton (Corporate Services)	21/21
David Leakey (Black Rod)	21/21
Carl Woodall (Support Services)	21/21
Andrew Makower (Financial Services)	21/21
Tom Mohan (Human Resources)	17/21
Rob Greig (Digital Services)	20/21
In attendance	
Liz Hewitt (Audit Committee external member)	6/8 ⁶

New Strategy for the House of Lords administration 2016-21

As set out on page 4, the Administration's long-term corporate strategy was reviewed at the end of 2015-16 and a new Strategy for the House of Lords Administration for 2016-2021 was developed during 2016-17. The Commission considered and agreed the strategy in January 2017.

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.

⁶ Liz Hewitt ceased attending the Management Board after being appointed to the House of Lords Commission in September 2016. The maximum total number of meetings she could have attended was 8.

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 Commission is involved with the financial planning process throughout. In 2016-17 for the first time the financial plan was also scrutinised by the newly appointed Finance Committee.

A continuous improvement review of the financial and business planning processes was conducted between December and February 2017. The report made a number of recommendations to enhance the interaction between the processes, and the different committees and boards involved in it, which will be considered carefully before the next financial and business planning rounds. Forthcoming meeting schedules have been reviewed to ensure greater alignment with the same process in the House of Commons.

Board effectiveness

The Management Board held two joint meetings with the House of Commons Board, in May and November, to discuss areas of common concern, including the Medium-Term Investment Plan. A further meeting is scheduled for July 2017. This is a useful forum for considering forthcoming challenges for both Houses.

In 2007 and 2011 external reviews of the Board and Administration were conducted. The next external review is scheduled to take place during 2017-18, allowing for the governance changes in the House of Lords to be fully implemented.

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 function 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 2016-17 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 was considered as part of the Bicameral Review of Joint Working (see page 34). It was agreed that collaboration and greater harmonisation of working practices presented the best way forward for the two services.

The annual internal audit work programme is agreed by the Audit Committee at the end of each financial year for the following year. The programme contains reviews of operations within the Administration and in shared service 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 moderate assurance on the overall adequacy and effectiveness of these

arrangements for 2016-17. However, in doing so he also raised some concerns about the control arrangements governing Estates related projects and programmes; the adequacy of assurance offered on cyber security; and safety management on the Parliamentary Estate. These are areas that I will be monitoring closely, both at Board level, and with the Audit Committee.

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 assess 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. A challenge process takes place, coordinated by the Board Secretary and the Head of Internal Audit, to ensure the robustness of the assessments given.

External assurances

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

- The calculation of certain shared service costs and shared asset values is undertaken in the House of Commons and incorporated into the House of Lords Resource Accounts. I have received an assurance from the Accounting Officer of the House of Commons regarding the adequacy of the accounting systems used to determine this information;
- Charges under the Metropolitan Police Service Special Services Agreement include direct and indirect costs, and an apportionment of Metropolitan Police overheads. I have obtained written assurance from the Metropolitan Police Service (MPS) concerning the probity of these charges;
- 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 but am provided annually with professional audit certificates by the opposition parties 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 of Lords Commission 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 office level risk management arrangements which was considered by the Audit Committee in January 2017. The report provided moderate assurance on the strength of current office level risk management arrangements and made several recommendations for change, some of them significant. All of the

recommendations were accepted, and are due for implementation over the course of 2017-18, subject to additional resourcing being put in place.

The six corporate risks are as follows:

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

Three further risks – Finance, ICT and Information – are formally delegated by the Management Board to the Finance Director, Director of the Digital Service and the Reading Clerk, respectively.

Risk appetite

The Management Board has agreed a risk appetite and target risk for each corporate risk. The agreed risk appetites and target risks are set out in the corporate risk register, which is updated for the Management Board on a monthly basis. Each corporate risk is reviewed by the Management Board annually, allowing for challenge of the assessments of exposure to risk, as well as of agreed appetites and target risks. When necessary, a corporate risk is reviewed more frequently, in the light of events or concerns raised by Management Board members.

Facilities & Buildings corporate risk

The assessment of exposure to 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. A number of mitigations were agreed in 2015-16. However, this has continued to be a concern throughout 2016-17, during which the risk exposure has remained raised. The Board reviewed the risk as part of its routine annual review in July 2016. Following flooding, the risk was reviewed again in September 2016 and amended to include an additional risk of failure of infrastructure, external utilities or environmental events. The risk was reviewed a third time in February 2017 in the light of ongoing concerns about safety on the parliamentary estate. Presentations were made by the Parliamentary Safety Team on two occasions. Additional mitigations were agreed with the Directors of In-house Services and Strategic Estates. An additional concern over the last year has been the risk of fire, given that in some areas of the Palace the existing fire safety systems have outdated technology and the coverage of automated fire life safety systems is patchy. In mitigation of this risk, there are manual patrols to provide additional checks and safeguards; fire safety improvement works are continuing across the Parliamentary estate, and works are being accelerated in those areas found to be most at risk. The Board continues to keep this risk under review.

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.

Following a review by The National Archives of information governance across the two Houses and the Parliamentary Digital Service, and in the light of significant challenges facing information

management over the next few years, including the roll-out of Office 365 and the replacement of the Meridio document management system, it was agreed to establish a new, simpler and more transparent bicameral structure for business-led information governance. The role and functions of the Cyber Authority and the Information Management Authority have been combined and renamed the Information Authority. The Boards of the two Houses jointly agreed its creation in November 2016. The Information Authority unites strategic responsibilities for both information security and information management as two equally essential elements of information governance.

Security

The Director of Security for Parliament has strategic responsibilities for physical, personnel and cyber security. On 1 April 2016 a new Special Services Agreement with the Metropolitan Police Service (MPS) commenced and the MPS civilian workforce transferred to become PSD staff on the same date. The simpler governance arrangement has improved the efficiency and effectiveness of physical and personnel security management.

Following the attack on parliament on 22 March 2017 two inquiries were established: an external independent review of how the perimeter of the Parliamentary Estate is secured and protected, and an externally-led review of the lessons learned from the operation inside Parliament of its Incident Management procedures. Both reviews are expected to report in the summer of 2017.

The Cyber Security Programme, launched in 2015 and led by the Director of the Parliamentary Digital Service as SRO, has continued to raise awareness among members and staff about how to protect themselves, and Parliament, from cyber attacks.

On Friday 23 June 2017, the Digital Service discovered unusual activity and evidence of an attempted cyber-attack on the parliamentary computer network. Closer investigation confirmed that hackers were carrying out a sustained and determined attack on all parliamentary user accounts in attempt to identify weak passwords and gain access to users' emails. Access to the parliamentary network was restricted and subsequently suspended and over the following days work was carried out to put additional security measures in place, such as multi-factor authentication. Security of the network was achieved and both Houses met as planned on Monday 26 June. It is believed that significantly fewer than 1% of the 9,000 accounts on the network have been compromised. The actions taken in the past few years within the Cyber Security Programme have increased our resilience, and this experience has shown that we are managing this risk. The programme is moving at pace and is due to be fully delivered during 2017-18.

While some substantial security risks cannot be eliminated, I am confident that the measures taken to deal with them mean that exposure to those risks is stable and that the security of the parliamentary estate has been maintained.

Business resilience

Business resilience across Parliament, which is managed at a strategic level through the bicameral Business Resilience Group (BRG), was developed and strengthened during 2016-17 by the following measures, among others:

- Parliament's business resilience framework was successful in its reaccreditation to the ISO 22301:2012 standard. The external audit took place in June 2016 by the British Standards Institution.
- A new Business Resilience Strategy and Policy, agreed by both Management Boards, was implemented in January 2017.

- A number of improvements have been identified and implemented within the Business Continuity Planning process.
- The Incident Management Framework (IMF) has been reviewed and substantively updated.
- The Incident Management Team (IMT) was stood up three times in response to live incidents in 2016-17: for flooding in summer 2016, a lesser water supply incident in Portcullis House in November 2016 and the terrorist incident of March 2017. In addition a 'standby' IMT was put in place for State Opening. Lessons identified following the flooding in 2016 have informed the revision of the IMF and the training content of IMT roles.
- The Business Resilience Group continues to work with other groups and boards to ensure, on behalf of the Management Boards, that business resilience is being given due consideration across Parliament. In 2016-17 this has included working with others on the review of salvage plans and working with the Digital Service and In-House services on a range of areas such as IT, electrical and utilities resilience.

As a result of these measures I can provide a moderate 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 2017 it provided assurance reports for 2016-17 from all Offices across the Administration, which can be summarised as follows:

- **Moderate assurance** for safety management of office/administration activities, accommodation services, events, visitor/education activities, catering and fire safety.
- **Limited assurance** for safety management of higher risk activities i.e. construction and some maintenance activities. Significant weaknesses in safety risk management have been identified, which mean that risk management and control could become inadequate and ineffective.

PSAC is committed to meeting the existing target that construction safety risks will reliably be assessed by both Houses as green by the end of 2017-18, and it has agreed an additional goal that the assurance rating for construction safety risk will be moderate by the end of 2017-18, and substantial by 2020.

Governance developments

Restoration and renewal of the Palace of Westminster

As described on page 12, both Houses have yet to make decisions on the preferred approach to the restoration and renewal of the Palace of Westminster. In the meantime, the Restoration and Renewal Programme Board is responsible for this area. It receives advice and assurance from the Restoration and Renewal Integrated Assurance Group that assurance activities are appropriate to the levels of risk across the Programme. The Restoration and Renewal Programme 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.

Joint Working Programme

As set out in more detail on page 14, the Joint Working Programme has continued its work throughout 2016-17. The programme team presented proposals to the Management Boards of the two Houses in October 2016, at which point further work was endorsed, including on the proposed model for joining up services.

Enterprise Project Management Office

In April 2016 the two Boards agreed to establish a Parliamentary Enterprise Programme Management Office (EPMO) as a shared service, hosted by the House of Commons, to support the Joint Investment Board. The EPMO has been charged with implementing many of the recommendations of the NAO VFM review of Programmes and Projects in Parliament, conducted in 2015-16, which was reported to a joint meeting of the two Audit Committees in July 2016. An update paper on the work of the EPMO was presented to the joint meeting of the two Audit Committees in January 2017, with a follow-on presentation scheduled for a future meeting. The Management Board considered the value added by the EPMO during the first year of its existence at its meeting in June 2017.

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*.

Ed Ollard

Clerk of the Parliaments and Accounting Officer

11 July 2017

Audit Committee annual report, agreed on 27 March 2017

Introduction

1. Baroness Cohen of Pimlico stepped down as Chairman of the Committee in September 2016 and was replaced by Liz Hewitt, the longer-serving of the Committee's two external members. Baroness Cohen's departure so soon after her appointment in July 2015 arose from the changes to the governance structure of the House of Lords, which are described in greater detail below. We would like to put on record our thanks to Baroness Cohen for her valuable work in chairing the Committee from June 2015 to September 2016. Despite the change in Chairman, the membership of the Committee remained the same during 2016-17.
2. The Committee met five times during 2016-17, and in addition held two joint meetings with the House of Commons Administration Estimate Audit and Risk Assurance Committee. Private meetings were held with the Head of Internal Audit in July 2016 and March 2017; with the Clerk of the Parliaments in January 2017; and a further private meeting is scheduled with the National Audit Office (NAO) in July 2017.
3. Agendas are published on the Committee [webpages](#) following each meeting and minutes are published after they have been agreed by the Committee. Attendance at the Audit Committee in 2016-17 was as follows:⁷

Member	Party/Group	Meetings attended / total possible
Lord Carter of Coles	Labour	4/7
Baroness Cohen of Pimlico (<i>Chair from July 2015 to September 2016</i>)	Labour	5/7
Lord Fink	Conservative	5/7
Baroness Fritchie	Crossbench	3/7
Lord Shutt of Greetland	Liberal Democrat	7/7
John Beckerleg	External member	7/7
Liz Hewitt (<i>Chair from September 2016</i>)	External member	7/7

4. Alongside the ongoing regular work of the Committee in maintaining oversight of risk, audit, governance and financial management, there were a number of areas where we have taken a particular interest. These are set out in more detail below, broken down by headings drawn from the Committee's terms of reference, which are reproduced at the end of this report.

⁷ During 2016-17 the external members were remunerated as follows – Liz Hewitt £18,250; and John Beckerleg £6000. NB the reporting period includes Liz Hewitt's attendance at the Management Board until September 2016; her attendance at the Commission from September 2016; and her transition from member of the Audit Committee to Chair of the Audit Committee. The remuneration also includes work for the Administration not related to meetings of any of these bodies, including attendance at interviews to recruit an external member of the Management Board.

Internal audit work programme

5. At the beginning of the financial year the Committee endorsed the internal audit programme for 2016-17. During the year, the Committee received internal audit reports or management letters on:
 - Cash handling arrangements
 - Further education and professional training
 - Parliamentary Procurement and Commercial Service
 - British Group of the Inter-parliamentary Union
 - Catering and Retail Services Accounts Receivable
 - Stationary and office supplies
 - Financial Support to Members 2015-16
 - Westminster Hall Stonework Conservation Project
 - Refurbishment of 6/7 Old Palace Yard
 - Registration of Members' interests
 - Late night transport arrangements
 - Delegated authorisations
 - Payroll function
 - Office-level risk management arrangements
 - Provision of Members' ICT equipment
 - Staff loans and cash advances
 - Pensions administration arrangements
 - Staff recruitment
 - Shared service SLAs and MOUs
6. The Committee also considered four reports concerning joint services prepared by the House of Commons internal audit service:
 - Information security gap analysis
 - IT disaster recovery and network: physical robustness
 - Fire safety management
 - Business continuity planning
7. The Committee also received a number of follow-up reports to previous audit reviews in order to gain assurance that actions set out in management responses had been undertaken. The follow-up reports considered included consideration of risk management arrangements; overtime and late duty allowances; select committee witness expenses; CRS stock control; absence recording arrangements; Commonwealth Parliamentary Association; general payments; staff performance management; the use of casual staff and temporary labour; further education and professional training; and cash handling. Management responses continued to be positive with the great majority of recommendations accepted and subsequently taken forward. The Committee has maintained its focus on those actions which have remained outstanding beyond the agreed implementation date. The Committee continues to receive a report on this subject at each meeting and is pleased to note that at the last update there were only 5 outstanding actions.
8. The Committee took a significant interest in two internal audit reports concerning shared services: Westminster Hall Stonework Conservation Work and the Refurbishment of 6/7 Old Palace Yard, both of which concerned the work of Strategic Estates. In July 2016 the Committee referred the two reports back to the Administration pending further responses by management in the light of the questions raised at the meeting. The reports were reconsidered with a more detailed management response with regard to lessons learned at

the Committee's meeting in October 2016. As a result of this enhanced scrutiny and challenge, a strategic improvement plan for programme and project management in Strategic Estates was drawn up and implemented.

9. We would like to thank the internal audit service for their efforts during the year. Following a period of staff shortages in 2015-16, the team began 2016-17 at full complement once more. This has been reflected in the progress against the internal audit plan. We would also like to thank the NAO for their work as the House's external auditors and their support for the work of the Committee.
10. In 2016-17 the Committee Chair continued the new practice of holding regular meetings with NAO representatives in advance of each Committee meeting. It was decided that the NAO should also be invited to the annual meeting in June when Audit Committee members review the accounts with the Finance Director and his deputy.

Risk Management

11. The Committee continued to consider the corporate risk register and controls at each of its regular meetings. The Committee expressed an appetite to consider its role in relation to risk management in more detail in its self-assessment exercise, conducted in November/December 2016. As a result, the training seminar held jointly with the House of Commons Administration Estimate and Audit Committee in March 2017 contained a session on risk-based audit planning.
12. A continuing concern for the Committee has been the Restoration and Renewal programme, the risks to its successful delivery, and the interdependencies of that programme with other essential works programmes in the Palace of Westminster. The Committee repeatedly raised this issue in its meetings, as well as in the joint meetings with the House of Commons Administration Estimate and Audit Committee, and queried the expected role of the two Audit Committees in relation to the programme, both before and after the expected appointment of a delivery authority and sponsor board.

Governance, internal controls and good practice

Leader's Group on Governance

13. As set out on page 5, the Leader's Group on Governance led to a number of changes in the governance structure, including for the Audit Committee.
14. The role of the Audit Committee was not central to the considerations of the Leader's Group, and did not feature extensively in the report. However, during the debate on the report on 9 May 2016 several members, including Baroness Cohen of Pimlico, argued that the Audit Committee should be represented on the House of Lords Commission. It had been the practice under the former Lord Speaker, Baroness d'Souza, for the Chairs of other domestic committees, including Audit, to be invited to attend meetings of the House Committee. The Audit Committee submitted evidence to the Leader's Group arguing that the Chair of Audit should be a full member, rather than attend by invitation only. This matched best practice in the public and private sectors, and would mirror arrangements in the Commons too, where the Chair of Audit Committee was an external member on the House of Commons Commission. Baroness Cohen, then chair of the Audit Committee, reiterated these points during the debate on 9 May 2016.⁸

⁸ [HL Deb](#), 9 May 2016, col 1591-92.

15. In order to accommodate the Chair of Audit on the Commission without increasing its overall membership, it was agreed that one of the Commission's two external members should also become the Chair of Audit Committee. The motion to appoint Liz Hewitt to the Commission was agreed on 21 July, with effect from 1 September⁹; and the Audit Committee was re-appointed by the Commission, with Liz Hewitt as its Chair, on 16 September. At this point Liz Hewitt ceased to attend the meetings of the House of Lords Management Board.

Efficiencies Programme

16. The Efficiencies Programme is a bicameral programme which has emerged in response to the financial remit set by the Commission for the House of Commons Administration for 2016-17, which required that every effort be made to deliver efficiency savings. The intention was for savings to be reinvested in priority areas. The House of Lords Management Board decided in February 2016 to join the programme because a large proportion of expenditure is shared with the Commons, and savings will therefore benefit both Houses. Proposals for reinvestment of savings will be put to the two Commissions in due course.
17. The Director of the Efficiencies Programme gave a presentation to the joint meeting of the two Audit Committees on 6 July 2016. Questions were raised about how to make genuine savings rather than simply capturing spare capacity from over-generous budgets; how to balance cost-cutting with income generation; and how the approach of the two Houses diverged given that the House of Commons had been set a formal savings target whereas the House of Lords was instead charged with meeting its financial remit set in 2010.
18. The two Committees received a written update from the Programme Director for the joint meeting on 17 January 2017, and requested a further presentation for its next joint meeting.

Joint Working: internal audit service

19. The Committee received further updates on the Joint Working programme and proposals for greater integration between the two Internal Audit Services. In October 2016 the committee took note of the proposed way forward, as set out by the two Heads of the Internal Audit teams, which focused on greater collaboration and harmonisation of working practices.

Annual Report and Resource Accounts

20. The Committee considered the draft Resource Accounts for 2015-16 in July 2016 and the draft Resource Accounts for 2016-17 in July 2017.

Joint meetings with the House of Commons Administration Estimate Audit Committee

21. The Committee continued to hold twice yearly meetings with the House of Commons Administration Estimate Audit Committee. These took place in July 2016 and January 2017. Some 64% of expenditure¹⁰ by the two Houses is spent on joint or shared services. The joint meetings therefore play an important role in providing assurance to both Accounting Officers on the controls in place. The two Chairs continue to liaise on a regular basis to ensure that the joint meetings meet this purpose.
22. As noted above, the Committees received an update on the Efficiencies Programme at their meetings in July 2016 and January 2017. At the meeting in July 2016 the Committees also

⁹ [HL Deb](#), 21 July 2016, col 745

¹⁰ Excluding members' finance and non-cash.

considered a presentation by the NAO on value for money in programmes and projects in Parliament, which was commissioned by the two Accounting Officers. The Committees noted that the management response to the findings had been very positive and this was to be applauded. The establishment of the Enterprise Portfolio Management Office, as a hub for programme and project management in Parliament, was expected to address many of the findings. It was agreed that value for money was an important matter for all staff. The Committees agreed to review progress against the recommendations at a future meeting.

23. The Committees also received an update on physical security on and off the Parliamentary estate from the new Director of Security for Parliament, Eric Hepburn, at its meeting on 17 January 2017.

Audit Committee effectiveness

24. The Committee considered its progress against the recommendations of an external review conducted in 2015 at its meeting in October 2016. The Committee found that good progress had been made against the recommendations, with few remaining outstanding. One outstanding recommendation was to invite the NAO to the annual meeting to consider the resource accounts; this will happen for the first time in June 2017.
25. The Committee conducted a self-assessment exercise in November/December 2016. The results of the exercise were considered at the meeting in January 2017 and reported to the Commission in January 2017. Based on the feedback received a number of action points were agreed, including the provision of a risk management teach-in at the training seminar in March 2017; a presentation to be given by the Head of Finance on the resource accounts at the meeting in July 2017; and standardisation of report formats between the Commons and Lords IA teams.
26. The Committee intends to commission an external review of its effectiveness in the next financial year.

Closing remarks

27. The Chair wishes to record her thanks to the members of the Audit Committee for their hard work and dedication throughout the year, and to the Clerk of the Parliaments and the senior staff of the Administration for their active support in helping the Committee discharge its duties.

Liz Hewitt BSc (Econ) F.C.A.
Chair of the Audit Committee

Terms of Reference

The Commission has appointed the Audit Committee with the following Terms of Reference

- “(1) To consider internal and external audit reports and other material, and to assess management responses thereto;
- (2) To agree the annual internal audit work programme and to monitor progress against the audit plan;
- (3) To provide advice to the Clerk of the Parliaments in the exercise of his responsibilities as Accounting Officer;

- (4) To evaluate the adequacy of the risk management system and the suitability of the control arrangements reported to it, and to advise the Clerk of the Parliaments as Accounting Officer and the Management Board accordingly;
- (5) To encourage value for money, good financial practice, appropriate internal controls, and effective governance throughout the administration of the House;
- (6) To review the annual financial statements and accounts;
- (7) To make an annual report to the House, to be submitted, in the first instance, to the Commission and to be published with the House of Lords' Annual Report;
- (8) To work with the House of Commons Administration Estimate Audit Committee to monitor areas of joint interest of both Houses;
- (9) To review regularly the effectiveness of the Audit Committee.”

Declarations of Interest:

The relevant financial interests of internal Members of the Committee are listed in the Register of Lords Interests. An up-to-date version of the Register can be found [here](#).

Climate change, sustainability and the environment

This sustainability report follows – as far as possible and to the extent it is appropriate – the template and guidance issued to Government departments in HM Treasury's *Financial Reporting Manual*. All the data (including expenditure) relate to Parliament as a whole.

GREENHOUSE GAS EMISSIONS					
		2013-14	2014-15	2015-16	2016-17
Non-Financial Indicators (tCO ₂ e)	Total Gross Emissions for Scopes 1 & 2.	19,182	19,466	17,781	18,009
	Total Net Emissions for Scopes 1 & 2. (i.e. less green tariffs)	7,311	4,502	4,623	11,219
	Gross emissions Scope 3 business travel	1,353	1,264**	1,521	1,952
Related Energy Consumption (million kWh)	Electricity: Non-Renewable	5.38	0.0	1.05	27.2
	Electricity: Renewable	23.82	28.55	26.27	0.93
	Gas	25.76	24.33	24.56	29.214
Financial Indicators (£'000s)	Expenditure on Energy	4,256	4,263	3,835	3,996
	Expenditure on accredited offsets (e.g. GCOF)	0	0	0	0
	Expenditure on official business travel	N/A*	2,558**	4,632	5,398

Glossary

The following scopes of carbon dioxide (CO₂) emissions are defined in HM Treasury's *Financial Reporting Manual*:

- Scope 1: Direct emissions of greenhouse gases
- Scope 2: Energy indirect emissions
- Scope 3: Emissions as a result of official business travel

tCO₂e: tonnes of carbon dioxide equivalent

kWh: kilowatt hours

GCOF: Government Carbon Offsetting Facility

* Information on business travel costs for 2013-14 was not available following a change in provider.

** Information on carbon emissions scope 3 (business travel) and business travel costs for 2014-15 refers to the period 01/09/14 to 31/03/15 only due to a change in provider.

Performance commentary (including targets)

The main source of Parliament's carbon dioxide emissions is energy consumption across the Estate. Parliament's environmental improvement plan sets out the actions planned to improve energy efficiency and is updated annually.

Parliament's total gross carbon emissions for 2016-17 reflect the 2016 conversion factors provided by the Department for the Environment, Food and Rural Affairs for reporting purposes. (The 2017 conversion factors were not available at the time of publishing this report.)

Parliament's long-term target for absolute carbon dioxide emissions resulting from energy use is to reduce emissions by 34% by March 2021 relative to 2008-09 baseline levels. In order to meet this target Parliament's 2016-17 emissions should have fallen by 23.2% on baseline. In 2016-17 Parliament achieved a 22.8% reduction relative to its 2008-09 baseline year. Although the target was not met at the end of the financial year, we have identified areas to improve, and ongoing issues which have had a short term negative impact on the annual figures for 2016-17 have been rectified.

All projects are required to identify potential carbon savings. A change in legislation in August 2015 means that all our electricity is now subject to a climate change levy. We are no longer able to purchase our electricity from climate change levy exempt sources.

Achieving a reduction in Parliament's direct carbon emissions continues to be a priority, but where appropriate, procurement specifications are used to encourage reductions in our supply chain. Parliament is working to develop a method to assess carbon emissions from its supply chain.

WASTE						
			2013-14	2014-15	2015-16	2016-17
Non Financial Indicators (tonnes)	Total waste		1,484	1,929	1,467	1,778
	Hazardous waste	Total	2	2	4	4
	Non hazardous waste	Landfill	0	0	0	0
		Reused/ Recycled/ Recovered	874	1,205	918	1,136
		Incinerated/ energy from waste	608	723	549	641
Financial Indicators (£'000s)	Total disposal cost		466	440	561	539
	Hazardous waste - Total disposal cost**		N/A**	N/A**	N/A**	6740.92*
	Non hazardous waste - Total disposal cost**	Landfill	0	0	0	0
		Reused/ Recycled	N/A**	N/A**	N/A**	89,071*
		Incinerated/ energy from waste	N/A**	N/A**	N/A**	72,682*
<p>*Information on figures for the hazardous waste and waste costs are from 1st November when a new waste contract commenced.</p> <p>** Parliament's previous waste contract did not break down costs by waste stream, but was priced on the basis of an aggregation of standing charges, costs per collection and per tonne. There was no breakdown of annual costs of hazardous and non-hazardous wastes.</p>						

Performance commentary (including targets)

Parliament's long-term target for waste generated is to reduce the weight by 30% by 2020-21 relative to 2008-09 baseline levels. In order to meet this target waste generated was predicted to have fallen by 22.0% against the baseline by this point. In 2016-17 Parliament achieved a 16.9% reduction relative to its 2008-09 baseline. Work is continuing to enable Parliament to reach its long-term targets for waste reduction.

Parliament's long-term target for recycling remains to recycle 75% of waste generated by weight by 2020-21. The target for recycling and recovery rate for 2016-17 was 69% with Parliament achieving a figure 64.1%. Parliament commenced a new waste contract from 1 November 2016 and is working in close partnership with the contractor in order to respond with agility to new opportunities to recycle and recover waste. The new waste contract also includes a requirement for collaboration and a continuous improvement process for driving waste recycling improvement which is expected to have a positive impact on performance.

Parliament's general office waste is disposed of by incineration at an energy-from-waste facility. Parliament operates with a zero waste-to-landfill policy.

Waste audits have taken place and training on the segregation of waste has been undertaken with those responsible for transferring and consolidating waste on the Estate. The final disposal of waste streams follows best practice end points.

Parliament continues to target a reduction in generation of waste and recycling rates as a priority, but where appropriate procurement specifications are used to encourage the supply chain to improve performance in these areas.

FINITE RESOURCE CONSUMPTION – Water						
			2013-14	2014-15	2015-16	2016-17
Non-Financial Indicators (m ³)	Water Consumption	Supplied	122,533	145,200	116,176	91,567
		Abstracted	98,691	88,641	82,010	94,793
Financial Indicators (£'000s)	Water Supply Costs		276	383	275	204

Performance commentary (including targets)

Parliament's long-term target for water use is to reduce the volume used by 50% by March 2021 relative to 2008-09 baseline levels.

In order to meet this target Parliament's 2016-17 water use should have fallen by 34.8% against the baseline. In 2016-17 Parliament achieved a 43.1% reduction relative to its 2008-09 baseline year, putting Parliament on a trajectory to meet its long term target.

Smart water meters have been installed across the whole Parliamentary Estate which enable the Environment Team to closely monitor water usage, highlighting leaks and identifying instances of high consumption requiring priority action. A water audit was undertaken for the Norman Shaw buildings and Portcullis House which highlighted areas for improvement, which were acted upon.

Parliament continues to prioritise a reduction in its use of water. In addition, where relevant procurement exercises have potential impact on water use, specifications are used to encourage the supply chain to improve water efficiency.

Diversity and Corporate Responsibility Report

Diversity and Inclusion

The House of Lords Administration is committed to providing a positive and inclusive working environment. In August 2016 it recruited its first Diversity and Inclusion manager. In June 2017 it published its first Diversity and Inclusion strategy and action plan. Implementation of the plan will be a priority for 2017-18.

In May 2017, 22 members of House of Lords staff were nominated for the bicameral Diversity and Inclusion awards, for their roles in embedding equality, diversity and inclusion, being a catalyst for change, and being an inspiring role model. The awards ceremony was held on 28 June. Four members of Lords staff received awards, two others were runners-up and a further two received honourable mentions.

The Workplace Equality Networks

There are five Parliament-wide Workplace Equality Networks (WENs) which provide an opportunity for groups of people to discuss and consider issues relevant to their situation or of interest to them: ParliAble (disability), ParliGender (gender equality), ParliOUT (lesbian, gay, bisexual, transgender, intersexual, and questioning), ParliREACH (race, ethnicity and cultural heritage) and ParliON (social mobility).

Diversity statistics for House of Lords staff appointments 2016-17

AGE	Applicants	Shortlisted	Successful
16-24	24.4%	11.8%	12.4%
25-34	38.3%	42.0%	39.5%
35-44	16.5%	20.7%	18.6%
45-54	11.7%	19.1%	20.2%
55+	7.1%	4.5%	7.0%
Not specified	2.1%	1.9%	2.3%

GENDER	Applicants	Shortlisted	Successful
Female	46.3%	49.7%	54.3%
Male	52.4%	49.4%	43.4%
Not Specified	1.3%	1.0%	2.3%

ETHNICITY	Applicants	Shortlisted	Successful
White	65.9%	76.1%	85.3%
Asian	15.8%	9.6%	5.4%
Black	10.5%	9.2%	3.1%
Other	4.3%	2.9%	2.3%
Not specified	3.5%	2.2%	3.9%

Corporate Responsibility

The House of Lords has adopted a sustainable procurement policy which takes into account the social and environmental impact of purchasing choices. The policy covers a wide range of goods and services, and ranges from buying only sustainable seafood, to considering whether fair traded alternatives are available, to ensuring that any staff working on our premises are paid the Living

Wage. The policy has been in place for over a year and is continually evolving in order to accommodate new developments in business areas. In the last year Diversity and Inclusion requirements were expanded upon and better integrated into evaluation criteria.

Remuneration and Staff Report

Remuneration Report

The Clerk of the Parliaments, Ed Ollard, (since 16 April 2017), 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 2016-17 members were as follows:

- Sir David Beamish KCB – Clerk of the Parliaments (retired 15 April 2017)
- Ed Ollard – Clerk Assistant
- Simon Burton – Reading Clerk
- Lieutenant-General David Leakey CMG CBE – Gentleman Usher of the Black Rod and Serjeant-at-Arms
- Thomas Mohan – Director of Human Resources
- Andrew Makower – Finance Director
- 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. The Clerk of the Parliaments for 2016-17 was Sir David Beamish, who retired on 15 April 2017. Ed Ollard was appointed Clerk of the Parliaments from 16 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.

From December 2016 to April 2017 Penny Young, Librarian and Managing Director for Research and Information and Managing Director for Participation in the House of Commons, attended the Management Board meetings¹¹.

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 multiples¹²

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 2016-17 was £180-185,000 (2015-16: £175-180,000). This was 6.1 times (2015-16: 6.2) the median remuneration of the workforce, which was £30,021 (2015-16: £28,580).

In 2016-17 nil (2015-16, nil) employee received remuneration in excess of the highest-paid director. Remuneration ranged from £18,500 to £185,000 (2015-16: £18,147-£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.

¹¹ Penny Young is employed and paid by the House of Commons so is not included in the tables below.

¹² Figures audited by the National Audit Office.

Salary and pension entitlements

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

	Salary (£'000)		NCPRP (£'000)		Benefits in Kind (£'000)		Pension benefits (£'000)		Total (£'000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16 revised	2016-17	2015-16 revised
David Beamish	180-185	175-180	N/A	N/A	-	-	28	37	205-210	210-215
Ed Ollard	110-115	110-115	0-5	0-5	-	-	24	54	140-145	170-175
Simon Burton	90-95	85-90	0-5	0-5	-	-	20	40	110-115	130-135
David Leakey	100-105	90-95	0-5	0-5	10	10	37	37	150-155	140-145
Thomas Mohan	85-90	85-90	0-5	0-5	-	-	19	42	105-110	130-135
Andrew Makower	85-90	85-90	0-5	0-5	-	-	19	41	105-110	125-130
Carl Woodall	100-105	100-105	0-5	0-5	-	-	40	45	140-145	145-150
Rob Greig	115-120	115-120	5-10	0-5	-	-	47	46	170-175	165-170
Elizabeth Hallam Smith (until 31 March 2016)	N/A	110-115	0-5	0-5	N/A	-	-	23	N/A	135-140

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 2016-17 relate to performance in 2015-16 and the comparative NCPRPs reported for 2015-16 relate to performance in 2014-15. 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 2016-17 the taxable benefit for the residence was £10,452 (2015-16: £9,788).

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

The salary and pension benefits for the Director of the Parliamentary Digital Service are paid directly by the House of Commons and recharged to the House of Lords at a rate of 30%. The salary and pension benefits disclosed represent the total remuneration package paid between the two Houses.

Pensions

The pension benefits of the Management Board were as follows:

	Accrued pension and related lump sum at 31/3/17 £000	Real increase in pension and related lump sum at 31/3/17 £000	CETV at 31/3/17 £000	CETV at 31/3/16 £000	Real increase/ (decrease) in CETV £000
David Beamish	90-95 <i>Plus lump sum of 280-285</i>	0-2.5 <i>Plus lump sum of 2.5-5.0</i>	2051	2020	26
Ed Ollard	45-50 <i>Plus lump sum of 140-145</i>	0-2.5 <i>Plus lump sum of 2.5-5.0</i>	1043	976	23
Simon Burton	30-35 <i>Plus lump sum of 100-105</i>	0-2.5 <i>Plus lump sum of 2.5-5.0</i>	640	597	15
David Leakey	10-15 <i>Plus lump sum of N/A</i>	0-2.5 <i>Plus lump sum of N/A</i>	244	198	33
Thomas Mohan	35-40 <i>Plus lump sum of 110-115</i>	0-2.5 <i>Plus lump sum of 2.5-5.0</i>	811	759	18
Andrew Makower	35-40 <i>Plus lump sum of 105-110</i>	0-2.5 <i>Plus lump sum of 2.5-5.0</i>	744	694	16
Carl Woodall	20-25 <i>Plus lump sum of N/A</i>	0-2.5 <i>Plus lump sum of N/A</i>	309	274	21
Rob Greig	0-5 <i>Plus lump sum of N/A</i>	2.5-5 <i>Plus lump sum of N/A</i>	49	25	15

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 updated in line with Pensions Increase 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 8%-14.75% (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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for 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 does not include 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.

Staff Report

I. Staff costs

The following disclosures on staff costs (including pension costs), average number of persons employed and exit packages have been audited.

Staff costs (including 30% of PDS) comprise:

	2016-17	2015-16
	£000	£000
Wages and salaries	22,757	22,055
Social security costs	2,322	1,763
Other pension costs	4,332	4,201
Sub total	29,411	28,019
Less recoveries in respect of outward secondments	(952)	(678)
Total net cost	28,459	27,341

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 2016-17, employers’ contributions of £3,481,624 were payable to the Civil Service pension arrangements (2015-16 – £3,414,724) at one of four rates in the range 20%-24.5% (2015-16: 20%-24.5%) 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 2016-17 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 £123,516 (2015-16: £102,927) 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. Employers also match employee contributions up to 3 per cent of pensionable earnings. In addition, employer contributions of £3,885 (0.8 per cent up until 30 September 2015 and 0.5 per cent from 1 October 2015) 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 £9,314. Contributions prepaid at that date were £nil.

Two people (2015-16: one person) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £13,727 (2015-16: £10,301).

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 pensions for House of Lords staff.

2. Staff composition

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

	2016-17	2015-16
House of Lords Administration	486	484

As at 31 March 2017 the headcount composition of staff was:

	Female	Male
Management Board	-	8
Other Senior Staff (SCS or equivalent)	8	16
Other employees	255	232
Secondees in	5	5
Total	268	261

As at 31 March 2017 the headcount composition of senior staff (SCS or equivalent) was:

Judicial Group 4	1
Senior Band 3	1
Senior Band 2	6
Senior Band 1A	6
Senior Band 1	18
Total	32

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.

3. Reporting of compensation schemes – exit packages

	2016-17			2015-16		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	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	-	1	1
£100,000-£150,000	-	-	-	-	-	-
£150,000-£200,000	-	-	-	-	-	-
Total number of exit packages	-	1	1	-	7	7
Total cost/£000	-	63	63	-	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 also was party to 4 exit packages (£95,667) not covered by the CSCS (2015-16: 3 & £63,500). Additionally, in 2016-17 the House of Commons ran a voluntary exit scheme. The House of Lords paid the relevant proportion of the exit packages for staff of shared services and the cost to the House of Lords was £47,007 (2015-16: £241,662).

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.

4.1 Off-payroll engagements as of 31 March 2017, 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 2017	14	26
<i>Of which at the time of reporting have existed for:</i>		
less than one year	6	24
between one and two years	3	1
between two and three years	2	1
between three and four years	1	-
for four or more years	2	-

4.2 New off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, 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 2016 and 31 March 2017	12	23
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	23
Number for whom assurance has been requested	3	19
<i>Of which:</i>		
For whom assurance has been received	3	13
For whom assurance has not been received	-	6
Have been terminated as a result of assurance not being received	-	3

Of the three PDS engagements not terminated as a result of not receiving assurances, two reached their normal expiry date during the assurance process and one had a satisfactory IR35 review.

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

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 2016-17 the House of Lords spent £181,296 (2015-16: 198,989). The House of Lords also reimbursed the House of Commons £173,994 (2015-16: £228,977) in relation to consultancy costs for Estates and Works, the Parliamentary Digital Service and other shared services.

6. Sickness absence

During 2016-17 the staff sickness absence rate was:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
% of working days lost to sickness in period	2.09%	1.25%	3.62%	3.57%
Average number of days lost to sickness per employee	1.32	0.81	2.28	2.21

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 Diversity¹³

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.

¹³ See also the Diversity and Corporate Responsibility Report on page 41.

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) 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 FRM, as applied by analogy, by the House of Lords.

Summary of Resource and Capital Outturn 2016-17

	SOPS Note	2016-17 £000			2015-16 £000				
		Estimate			Outturn				
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/(excess)	Total
Department Expenditure Limit									
- Resource	1.1	104,332	-	104,332	100,233	-	100,233	4,099	92,383
- Capital	1.2	51,259	-	51,259	43,361	-	43,361	7,898	26,140
Annually Managed Expenditure									
- Resource	1.1	1,500	-	1,500	(28,485)	-	(28,485)	29,985	3,604
- Capital		-	-	-	-	-	-	-	-
Total Budget		157,091	-	157,091	115,109	-	115,109	41,982	122,127
Non-Budget									
- Resource		-	-	-	-	-	-	-	-
Total		157,091	-	157,091	115,109	-	115,109	41,982	122,127
Total Resource	1.1	105,832	-	105,832	71,748	-	71,748	34,084	95,987
Total Capital	1.2	51,259	-	51,259	43,361	-	43,361	7,898	26,140
Total		157,091	-	157,091	115,109	-	115,109	41,982	122,127

Net cash requirement 2016-17

	SOPS Note	2016-17 £000		2015-16 £000	
		Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Total
Net cash requirement	2	144,249	134,154	10,095	213,348

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 Management Commentary to the Accounts.

The notes on pages 52 to 53 support this statement.

Notes to the Statement of Parliamentary Supply

SOPS I. Net Outturn

SOPS I.1 Analysis of net resource outturn by section

	Outturn			2016-17 £000	2015-16 £000
	Gross	Income	Net Total	Estimate	Outturn
			Net Total	Net Total outturn compared with Estimate	Total
Spending in Departmental Expenditure Limit					
Voted:					
Administration	79,817	(5,004)	74,813	78,364	68,832
Works Services	25,458	(38)	25,420	25,968	23,551
Annually Managed Expenditure					
Voted:					
Administration	(28,485)	-	(28,485)	1,500	3,604
Total	76,790	(5,042)	71,748	105,832	95,987

SOPS I.2 Analysis of net capital outturn by section

	Outturn			2016-17 £000	2015-16 £000
	Gross	Income	Net Total	Estimate	Outturn
			Net Total	Net Total outturn compared with Estimate	Total
Spending in Departmental Expenditure Limit					
Voted:					
Administration	2,564	-	2,564	5,447	731
Works Services	40,797	-	40,797	45,812	25,409
Annually Managed Expenditure					
Voted:					
Administration	-	-	-	-	-
Total	43,361	-	43,361	51,259	26,140

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	105,832	71,748	34,084
Capital Outturn	51,259	43,361	7,898
Accruals to cash adjustments:			
<i>Adjustments to remove non-cash items:</i>			
Depreciation	(9,482)	(8,152)	(1,330)
New provisions and adjustments to previous provisions	-	10	(10)
Other non-cash items	(70)	2,076	(2,146)
<i>Adjustments to reflect movements in working balances:</i>			
Increase/(decrease) in inventories	10	39	(29)
Increase/(decrease) in trade and other receivables	100	(473)	573
(Increase)/decrease in trade and other payables	(3,400)	(618)	(2,782)
Movement in provisions		26,085	(26,085)
Capital element of the payment in respect of on-balance sheet (SoFP) service concession contracts	-	78	(78)
Net Cash requirement	144,249	134,154	10,095

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 2017 (2015-16: £ 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 2017 (2015-16: £ 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 2016-17 there are no such liabilities to report (2015-16: none).

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

Ed Ollard
Clerk of the Parliaments and Accounting Officer

11 July 2017

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 2017. 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 Annual Report 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 2017 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 2017 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, Performance Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; 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

13 July 2017

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

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	2016-17 £000	2015-16 £000
Income from the sale of goods and services	5	5,042	4,897
Total operating income		5,042	4,897
Staff costs	3	28,459	27,341
Purchase of goods and services	4	39,102	36,967
Depreciation and impairment charges	4	6,009	11,322
Provision expense	4	(10)	10
Other operating expenditure	4	29,315	25,244
Total operating expenditure		102,875	100,884
Net operating expenditure		97,833	95,987
Net expenditure for the year before provision adjustment		97,833	95,987
Write back of pension related provision	12.1	(26,085)	-
Net expenditure for year		71,748	95,987
Other Comprehensive Net Expenditure			
Items which will not be reclassified to net operating costs:			
- Net loss/(gain) on revaluation of Property, Plant and Equipment	4, 6	25,944	(71,924)
Comprehensive Net Expenditure for the Year		97,692	24,063

The notes on pages 60 to 81 form part of these accounts.

Statement of Financial Position as at 31 March 2017

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 2017		31 March 2016	
		£000	£000	£000	£000
	Note				
Non-current assets:					
Property, plant and equipment	6	571,723		560,462	
Intangible assets	7	278		131	
Total non-current assets:			572,001		560,593
Current assets:					
Inventories		330		291	
Trade and other receivables	10	1,977		2,450	
Cash and cash equivalents	9	334		209	
Total current assets:			2,641		2,950
Total assets:			574,642		563,543
Current liabilities:					
Trade and other payables	11	(6,763)		(6,015)	
Total current liabilities			(6,763)		(6,015)
Total assets less current liabilities			567,879		557,528
Non-current liabilities:					
Other payables	11	(7)		(90)	
Provisions	12.1, 12.2	(14,000)		(40,095)	
Total non-current liabilities			(14,007)		(40,185)
Total assets less total liabilities			553,872		517,343
Taxpayers' equity and other reserves:					
General Fund		388,344		323,660	
Revaluation Reserve		165,528		193,683	
Total equity			553,872		517,343

Ed Ollard
Clerk of the Parliaments and Accounting Officer
11 July 2017

The notes on pages 60 to 81 form part of these accounts.

Statement of Cash Flows

for year ended 31 March 2017

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	2016-17 £000	2015-16 £000
Cash flows from operating activities			
Net operating cost		(71,748)	(95,987)
Adjustments for non-cash transactions	4	6,066	11,399
(Increase)/Decrease in trade and other receivables	10	473	(1,077)
(Increase)/Decrease in inventories		(39)	(62)
Increase/(Decrease) in trade and other payables	11	540	(1,481)
Less movement in payables not via SoCNE		78	74
Movement in provisions	12.1	(26,085)	(100,000)
Net cash outflow from operating activities		(90,715)	(187,134)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(43,133)	(26,063)
Purchase of intangible assets	7	(228)	(77)
Proceeds from the disposal of property, plant and equipment		-	-
Net cash outflow from investing activities		(43,361)	(26,140)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		134,279	213,141
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) Service Concession contracts		(78)	(74)
Net financing		134,201	213,067
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		125	(207)
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		125	(207)
Cash and cash equivalents at the beginning of the period	9	209	416
Cash and cash equivalents at the end of the period	9	334	209

The notes on pages 60 to 81 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

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 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		67	-	67
Movement in Reserves				
Revaluation gains and losses		-	71,924	71,924
Transfers between Reserves		1,525	(1,525)	-
Balance at 31 March 2016		323,660	193,683	517,343
Net Parliamentary Funding – drawn down		134,279	-	134,279
Net Parliamentary Funding – deemed		209	-	209
Supply payable adjustment		(334)	-	(334)
Comprehensive Net Expenditure for the Year		(71,748)	-	(71,748)
Non-Cash Adjustments				
Non-cash charges – auditor's remuneration	4	67	-	67
Movement in Reserves				
Revaluation gains and losses	6, 12	-	(25,944)	(25,944)
Transfers between Reserves		2,211	(2,211)	-
Balance at 31 March 2017		388,344	165,528	553,872

The notes on pages 60 to 81 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 2016-17 *FReM*. 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. Responsibility for delivering capital investment programmes and projects, along with supporting property, planning and design teams relating to the Palace and the Parliamentary Estate, rests with Strategic Estates and the Managing Director of Strategic Estates in the House of Commons. The maintenance, environment and related functions are part of the In-House Services team 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 and the relevant costs apportioned in a 30:70 ratio (Lords:Commons) in 2016-17. Costed relating to the Metropolitan Police are also apportioned 30:70 but are billed separately to the two Houses.

In 2016-17 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 2016-17 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 2016-17 by the VOA using a desktop valuation; the valuation date was 31 March 2017. 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 2016-17 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 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 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 relevant Works of Art panels of both Houses. The House of Lords Works of Art Advisory Panel 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	80 years
Other buildings	remaining life (between 24-37 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

Assets are reviewed for impairment on a case by case basis, and any adjustments are accounted for in accordance with the *FReM* as applied by the House.

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, and other fees and charges.

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 Accounts](#).

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. Details of the Civil Service pension arrangements are contained in note 1 *Staff Costs* in the Staff Report. 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. During 2016-17 work continued on calculating the final valuation figure and the final payment is expected to be made in 2017-18. At 1 April 2016 the Statement of Financial Position retained a balance of £40m to meet this obligation. Following the further work, and as advised by the actuaries based on their assessment of the information available at the time, the balance as at 31 March 2017 has been reduced to £14m, of which all or part will be paid to the Cabinet Office at a future date once the final figure is agreed.

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.

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:

	2016-17	2015-16
	£	£
History of Parliament Trust	488,116	482,328
Commonwealth Parliamentary Association UK Branch	540,257	533,851
British Group Inter-Parliamentary Union	390,120	385,500
British-Irish Parliamentary Assembly	44,712	38,250
British-American Parliamentary Group	33,897	33,495
	1,497,102	1,473,424

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 2016-17 the amount paid was £337,021 (2015-16: £369,822). The balance held at the end of the financial year was £35,236 (2015-16: £28,662).

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 53).

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 2016/17* (HL Paper 37).

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	2016-17 £000			2015-16 £000		
	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
Clerk of the Parliaments	2,175	-	2,175	2,369	-	2,369
Parliamentary Services	9,247	(31)	9,216	9,866	(10)	9,856
Corporate Services	2,030	-	2,030	1,764	(8)	1,756
Support Services	31,931	(4,986)	26,945	36,165	(4,851)	31,314
Information Services	7,110	(18)	7,092	6,673	(16)	6,657
Financial Resources (inc. Members' allowances and expenses)	24,860	-	24,860	21,499	-	21,499
Security	12,110	(7)	12,103	11,141	(12)	11,129
Information and Communication Technology	11,368	-	11,368	9,638	-	9,638
Human Resources	1,785	-	1,785	1,570	-	1,570
Centrally held funds (inc pension interest cost)	259	-	259	199	-	199
Total	102,875	(5,042)	97,833	100,884	(4,897)	95,987
Total Assets			574,642			563,543
Total Liabilities			(20,770)			(46,200)
Net Assets			553,872			517,343

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

The above does not include the adjustment to the pension provision (see note 12.1).

Notes to the Resource Accounts – continued

3. Staff costs

The staff costs total of £28,459k reported in the SoCNE is explained further in note I of the Staff Report on page 47.

4. Expenditure

	Note	2016-17 £000	2015-16 £000
Non-cash items			
Depreciation	6	7,995	7,510
Finance lease asset depreciation	6	76	76
Amortisation	7	81	139
Net (gain)/loss on disposal of property, plant and equipment		-	4
Net (gain)/loss on revaluation of property, plant and equipment		(2,390)	3,593
Impairment		247	-
Auditor's remuneration		67	67
Provision provided in year	12.2	-	10
Provision utilised during the year	12.2	(10)	-
<i>Total non-cash items</i>		<u>6,066</u>	<u>11,399</u>
Members' allowances and expenses		22,400	19,211
Estates & Works expenditure		18,067	16,656
Security		10,741	10,277
IT and telecommunication costs		5,499	4,724
Other expenditure		4,159	3,355
Printing and publications		336	1,390
Broadcasting, outreach and visitor services		2,558	2,059
Catering & Retail Services direct costs excluding staff costs		1,834	1,794
Grants	1.12	1,497	1,473
Rentals under operating leases		203	212
Financial Assistance for Opposition Parties		880	826
Service charge element of Finance Lease		169	155
Interest on Finance Lease		7	12
Total		<u>74,416</u>	<u>73,543</u>

The auditors received no remuneration for non-audit work. In addition to the £880,259 (2015-16: £825,666) Financial Assistance for Opposition Parties above, staff costs of £81,140 (2015-16: £80,316) in relation to assistance for the Convenor of the Crossbench Peers have been incurred by the House of Lords and funded under the arrangements for Financial Assistance for Opposition Parties. 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**

	2016-17 £000	2015-16 £000
Catering and Retail Services sales	4,948	4,764
Fees, charges and rental income	94	133
	5,042	4,897

6. Property, plant and equipment

	Land & Buildings excluding dwellings £000	Dwellings £000	Fixtures & Fittings £000	Information Technology £000	Plant & Machinery £000	Heritage Assets £000	Assets Under Construction £000	Total £000
Cost or valuation								
At 1 April 2016	1,030,416	3,490	3,610	9,755	2,922	15,937	12,097	1,078,227
Additions	18,521	-	502	2,040	103	40	21,927	43,133
Disposals	-	-	-	(6)	-	-	-	(6)
Impairment	-	-	(247)	-	-	-	-	(247)
Reclassification	-	-	-	-	-	-	-	-
Revaluations	(41,075)	273	-	-	-	-	-	(40,802)
At 31 March 2017	1,007,862	3,763	3,865	11,789	3,025	15,977	34,024	1,080,305
Depreciation								
At 1 April 2016	504,503	491	2,210	8,066	655	-	1,840	517,765
Charged in year	6,771	68	335	700	197	-	-	8,071
Disposals	-	-	-	(6)	-	-	-	(6)
Reclassification	-	-	-	-	-	-	-	-
Revaluations	(17,303)	55	-	-	-	-	-	(17,248)
At 31 March 2017	493,971	614	2,545	8,760	852	-	1,840	508,582
Net book value at 31 March 2017	513,891	3,149	1,320	3,029	2,173	15,977	32,184	571,723
Net book value at 31 March 2016	525,913	2,999	1,400	1,689	2,267	15,937	10,257	560,462
Asset Financing:								
Owned	513,891	3,149	1,320	2,866	2,173	15,977	32,184	571,560
Finance leased on balance sheet (SoFP) service concession arrangement	-	-	-	163	-	-	-	163
Carrying amount at 31 March 2017	513,891	3,149	1,320	3,029	2,173	15,977	32,184	571,723

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 2016	60,446	33,100	901,847	35,023	12,081	1,042,497
Additions	-	-	18,488	33	21,927	40,448
Disposals	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
Revaluations	1,801	2,663	(47,950)	2,411	-	(41,075)
At 31 March 2017	62,247	35,763	872,385	37,467	34,008	1,041,870
Depreciation						
At 1 April 2016	-	-	497,835	6,668	1,840	506,343
Charged in year	-	-	5,314	1,457	-	6,771
Disposals	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
Revaluations	-	-	(17,303)	-	-	(17,303)
At 31 March 2017	-	-	485,846	8,125	1,840	495,811
Net book value at 31 March 2017	62,247	35,763	386,539	29,342	32,168	546,059
Net book value at 31 March 2016	60,446	33,100	404,012	28,355	10,241	536,154

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 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 and buildings

The Parliamentary Estate was revalued during 2016-17 by the Valuation Office Agency on the basis of Depreciated Replacement Cost for the Palace of Westminster and the Visitors Reception Building, and Existing Use for the remainder of the Parliamentary Estate.

The valuation date was 31 March 2017. The total value of the Palace as at 31 March 2017 was £1,095,216,931 (House of Lords share £438,086,772).

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 2017 was £767,577 (2015-16: £731,709). 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 2017 was £83,179 (2015-16: £81,179).

iv. Members' Robes

The value of the donated Members' Robes as at 31 March 2017 was £217,453 (2015-16: £217,453).

Assets under Construction

During 2016-17 significant renovation continued on one building. Capital expenditure incurred for the major overhaul for the building totalled £21,927,000 for 2016-17.

Revaluation of the Parliamentary Estate

The revaluation exercise of property, plant and equipment during the year resulted in £28,155,000 of the revaluation loss being adjusted against the revaluation reserve, including the transfer between reserves (2015-16: £69,028,000 gain) and a gain of £2,390,000 being credited to operating costs (2015-16: £3,593,000 loss).

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

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

	2016-17	2015-16
	£000	£000
Cost or valuation		
At 1 April	2,795	2,731
Additions	228	77
Disposals	-	(13)
Revaluation	-	-
At 31 March	3,023	2,795
Amortisation		
At 1 April	2,664	2,538
Charged in year	81	139
Disposals	-	(13)
Revaluation	-	-
At 31 March	2,745	2,664
Net book value at 31 March	278	131
Net book value at 1 April	131	193

8. Capital and other commitments*8.1 Capital commitments*

	31 March 2017	31 March 2016
	£000	£000
Contracted capital commitments at 31 March not otherwise included in these financial statements:		
Property, plant and equipment	19,450	15,669

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 2017 £000	31 March 2016 £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	1,173	1,184
	<hr/> 1,231	<hr/> 1,242
Other:		
No later than one year	96	92
Later than one year and not later than five years	138	134
Later than five years	0	0
	<hr/> 234	<hr/> 226

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 2017 £000	31 March 2016 £000
Rentals due within one year	85	85
Rentals due later than one year and not later than five years	7	93
Rentals due later than five years	-	-
	<hr/> 92	<hr/> 178
Less interest element	(10)	(10)
Present value of obligation	<hr/> 82	<hr/> 168

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

	31 March 2017 £000	31 March 2016 £000
Service charges due within one year	116	130
Service charges due later than one year and not later than five years	10	131
Service charges due later than five years	-	-
	<hr/> 126	<hr/> 261

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 £169,278 (2015–16: £154,635).

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

	£000
Balance at 1 April 2016	209
Net change in cash and cash equivalent balances	125
Balance at 31 March 2017	334

	31 March 2017 £000	31 March 2016 £000
The following balances were held at:		
Government Banking Service	186	68
Commercial banks and cash in hand	148	141
Balance at 31 March	334	209

10. Trade receivables and other current assets

	31 March 2017 £000	31 March 2016 £000
Amounts falling due within one year:		
Trade receivables	1,323	1,525
Deposits and advances	105	102
Prepayments and accrued income	142	117
VAT	407	706
	1,977	2,450

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 2017 £000	31 March 2016 £000
Amounts falling due within one year		
Trade payables	1,540	1,925
Other payables	2,311	1,429
VAT	-	-
Accruals and deferred income	2,495	2,374
Amounts issued from the Consolidated Fund for supply but not spent at year end	334	209
Current part of imputed finance lease element of on-balance sheet (SoFP) service concession arrangements	83	78
	6,763	6,015
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	7	90
	7	90

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.

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. The provision as at 31 March 2015 was £140m and calculated using the assumptions required by *IAS 19 Employee Benefits* using financial assumptions set each year by HM Treasury based on the current market condition. 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 Accounts](#). For the actuarial valuation to calculate the transfer payment to the PCSPS long term financial assumptions are used and the actuarial valuation is expected to be lower than the accounting valuation.

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 in 2015-16. At 1 April 2016 the Statement of Financial Position retained a balance of £40m to meet the final valuation payment. During 2016-17 work continued on calculating the final valuation. A final valuation was not available in 2016-17 as further work was required validating the completeness and accuracy of the membership data underpinning the valuation. At the date of finalising these accounts GAD gave an updated figure indicating that, depending on the outstanding queries, the final payment could be in the range of £11-14m; there is insufficient information to provide a more precise sensitivity analysis at this time. Based on this information a cautious approach has been adopted and the provision held as at 31 March 2017 has been reduced to £14m, of which all or part will be paid to the Cabinet Office at a future date once the final figure is agreed. The final payment is expected to be made in 2017-18.

Analysis of movement in scheme liability and related provision

	2016-17 £000	2015-16 £000
Value of liabilities at 1 April	40,085	140,085
Net pension transfers in/(out)	-	(100,000)
Provision written back	(26,085)	-
Balance at 31 March	14,000	40,085

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; this was utilised in 2016-17.

	2016-17 £000	2015-16 £000
Value of liabilities at 1 April	10	-
Provided in the year	-	10
Provision utilised during the year	(10)	-
Balance at 31 March	-	10

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 2016	Increase in year	Liabilities crystallised in year	Obligation expired in year	At 31 March 2017
	£000	£000	£000	£000	£000
Works of Art on loan from various collections	11,800	87	-	(98)	11,789

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, Strategic Estates, In-House Services, 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
Strategic Estates and In-House 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 £79,896,000 (2015-16: £54,672,000) on behalf of the House of Lords during 2016-17. 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 £114,000 (2015-16: £923,000 owed to House of Lords by the House of Commons). The House of Lords incurred expenditure of £1,481,000 (2015-16: £1,251,000) on behalf of the House of Commons during 2016-17. At the financial year end the amount owed to the House of Lords by the House of Commons was £296,000 (2015-16: £100,000).

A related party transaction took place during the year between the House of Lords Administration and a staff member who is a close family member of David Beamish, Clerk of the Parliaments and Accounting Officer during 2016-17. 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 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 2016-17 amounted to £4,783,587 (2015-16: £4,649,786). Total costs of Catering and Retail Services, including staff costs, costs of goods sold, and directly attributable overheads, were £6,011,492 (2015-16: £5,857,613) meaning that in 2016-17 the net overall cost amounted to £1,227,905 (2015-16: £1,207,827). Included in the above is the net contribution from Banqueting and Retail operations of £1,002,062 (2015-16: £1,132,174).

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.

	2016-17 £000	2015-16 £000 restated
Opening balance of Fund at 1 April	17	26
Add receipts: Grant for Works of Art Collection Fund	20	10
	37	36
Less: Purchases during the year (see below)	(29)	(12)
Less: Contribution towards New Dawn curating	(3)	(7)
Closing Balance of Fund as at 31 March	5	17

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

Description	£
Portrait of William Murray 1 st Earl of Mansfield by David Martin	26,500
Set of eight New Dawn prints by Mary Branson	2,400
Design for Royal Arms Stained Glass window for Royal Gallery by Penelope Beaton	468
Total	29,368

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 2017 that would affect the financial statements.

APPENDIX A: COMPOSITION OF THE HOUSE OF LORDS 2016-17

The size of the House decreased by 12 this year. The average daily attendance decreased from 494 in 2015-16 to 487 in 2016-17.

Composition of the House as at 31 March 2016

	Men	Women	Total
Archbishops and bishops	24	2	26
Life peers under the Appellate Jurisdiction Act 1876	17	1	18
Life peers under the Life Peerages Act 1958	503	212	715
Peers under the House of Lords Act 1999	90	1	91
Total	634	216	850

Of whom: 28 members were on leave of absence, 8 were disqualified as senior members of the judiciary.

Composition of the House as at 31 March 2017

	Men	Women	Total
Archbishops and bishops	23	2	25
Life peers under the Appellate Jurisdiction Act 1876	15	1	16
Life peers under the Life Peerages Act 1958	491	214	705
Peers under the House of Lords Act 1999	91	1	92
Total	620	218	838

Of whom: 26 members were on leave of absence and 8 were disqualified as senior members of the judiciary (leaving 804 members eligible to attend).

During the year 12 members died, 12 members retired, four members left the House due to non-attendance, 15 new life peers were created, one bishop retired, one bishop was translated between sees and three hereditary peers joined the House following a by-election.

At the end of the year the state of the parties/groups in the House was as follows:

Conservative 253
 Labour 202
 Liberal Democrat 102
 Crossbench 178
 Other 44
 Bishops 25
TOTAL 804

(These figures exclude 34 members on leave of absence or disqualified.)

APPENDIX B: ACTIVITY DATA 2016-17

	Q1	Q2	Q3	Q4
Parliamentary Services				
Sitting days	39	22	45	47
Average length of sitting	5:44	6:38	6:39	7:08
Time sitting after 10pm (h:m)	3:21	1:08	5:33	11:59
Amendments tabled and called in the House	661	816	1,804	2,327
Questions for Written Answer tabled	1,829	1,063	2,388	2,115
Divisions	46	2	28	44
Grand Committees	4	7	6	19
Average length of Grand Committee	3:11	3:24	2:48	3:29
Number of committee meetings	159	120	257	218
Daily Hansard pages	1,989	1,489	2,502	3,418
Bills and amendments pages printed	3,074	1,022	3,207	4,451
Business document pages printed	748	452	916	1,048
Select Committee reports agreed	38	25	46	61
Select Committee pages printed	1,336	835	1,309	2,405
Members				
Members at period end	800	810	809	804
Average daily attendance	489	457	486	501
Average division size	363	158	339	384
New members taking seats*	0	6	9	0
Deaths*	3	4	2	2
Retirements*	5	2	3	2
Registered Members' staff	613	616	620	571
Reference enquiries	1,527	1,058	1,495	1,540
Reference enquires by Members	1,131	774	1,141	1,179
Research transactions	4,758	4,701	8,160	9,487
Of which – research inquiries	436	252	424	574
Of which – library note take-up	2,532	2,760	4,715	4,910
Of which – briefing packs	1,790	1,689	3,021	4,003
Members: 1 or more Library services used	583	521	602	626
Book loans	364	380	614	629
Visitors to Lords corporate portal	110,133	91,462	122,450	189,779
Total page views	188,588	156,439	208,366	315,821
Info inquiries (e-mail & telephone)	1,696	1,110	1,430	1,801
Twitter (no. of followers)	191,424	198,968	205,899	217,211
YouTube (no. of views)	11,215	7,694	8,416	10,311
Digital Chamber (no. of hits)	2,978 (offline for some time due to EU Ref)	3,205	N/A [site under development]	N/A [site under development]
Archives inquiries	1,674	1,457	1,392	1,788
Freedom of Information requests	40	45	52	93
Public gallery visitors	12,370	13,373	18,454	25,426
Search room visitors	249	271	184	219
Peers in schools visits	44	18	50	70
Units conserved	197	204	137	75
Units preserved	1,353	1,006	990	807
Members with desk on estate	639	628	637	645
Members with desk in Palace	373	370	377	384

	Q1	Q2	Q3	Q4
Banqueting covers	19,108	11,347	24,482	16,760
Banqueting events	234	125	369	341
Retail sales (£)	91,521	67,360	265,929	76,842
Retail transactions	3,076	2,391	6,821	2,677
Financial Resources				
Invoices processed	3,597	2,605	4,860	3,644
Member claims processed	1,832	1,554	1,756	2,035
Members: users of Parliamentary Network	768	758	759	751
Members: total items of IT equipment	63	43	98	58
Members: iPads connected	238	258	286	299
Vacancies at period end (FT/PT)	43/12	37/19	41/10	41/10
Number of staff at period end (FT/PT)	416/92	417/89	407/87	417/93
Number of jobs advertised	19	18	36	11
Recruitments successful	30	30	55	26
Probation periods extended	1	2	0	1
Appointments not confirmed	2	0	3	3
Days of paid leave approved	68.5	66	140	127
Probation deadlines met	90%	90%	86%	96%
Staff sickness rate	2.09%	1.25%	3.62%	3.57%
Staff turnover	2.94%	4.15%	5.01%	3.98%

* Not including hereditary peers or Bishops