



**The Sovereign Grant
and
Sovereign Grant Reserve**
Annual Report and Accounts
2022-2023



SOVEREIGN GRANT ACT 2011

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and
Sovereign Grant Reserve**
Annual Report and Accounts
2022-23

*Presented to Parliament pursuant to Section 2 and Section 4
of the Sovereign Grant Act 2011*

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FRONT COVER: Their Majesties visiting Talbot Yard Food Court in Yorkersgate, Malton, North Yorkshire 5th April 2023

Photograph provided courtesy of Owen Humphreys/PA Images

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THE SOVEREIGN GRANT

The official expenditure of the Sovereign¹ is met from public funds in exchange for the surrender by The Sovereign of the revenue from the Crown Estate. His Majesty King Charles III, following His Majesty's Accession on 8 September 2022, confirmed his willingness and intention to continue this tradition. From 1 April 2012 the funding provided to support the official duties of The Sovereign and maintain the Occupied Royal Palaces² has been provided under the Sovereign Grant Act 2011. This replaced the provisions of the Civil List and the Grants-in-aid for the Maintenance of the Occupied Royal Palaces, Royal Travel and Communications and Information.

The Core Sovereign Grant up until 31 March 2023 has been calculated based on 15% of the income account net surplus of the Crown Estate for the financial year two years previous, subject to the provision that the Sovereign Grant does not decrease year on year. The Core Sovereign Grant for the financial year 2022-23 was therefore £51.8 million, unchanged from the prior year.

The Royal Trustees³ agreed that from 2017-18, the Sovereign Grant would include an additional 10% of the income account net surplus of the Crown Estate for the financial year two years previous to fund the Reservicing of Buckingham Palace over a period of ten years. The additional Sovereign Grant for Reservicing for 2022-23 was £34.5 million and the total Sovereign Grant for 2022-23 was therefore £86.3 million. For a summary of expenditure refer to the 'overview of the year' section on page 7.

The total Sovereign Grant for 2023-24 is unchanged at £86.3 million (Core £51.8 million and Reservicing £34.5 million).

¹ For 2022-23, The Sovereign refers to Her Majesty The Queen Elizabeth II and/or His Majesty The King Charles III depending on the context throughout the year.

² The Occupied Royal Palaces are Buckingham Palace, St James's Palace, Clarence House, Windsor Castle, Hampton Court Mews, Windsor Home Park and parts of Kensington Palace. The Palace of Holyroodhouse is maintained by Historic Environment Scotland.

³ The Royal Trustees are the Prime Minister (as First Commissioner of Her Majesty's Treasury), the Chancellor of the Exchequer and the Keeper of the Privy Purse (Civil List Act 1952, Section 10).

THE OFFICIAL DUTIES OF THE SOVEREIGN

The Sovereign's role comprises two distinct elements:

The role of **Head of State**, which is a formal constitutional concept, common to all nations and involves the official duties which The Sovereign, by constitutional convention, must fulfil.

The role of **Head of Nation**, a much more symbolic role in the life of the Nation, involving duties which are not directed by the constitution but which The Sovereign carries out where appropriate or necessary.

Since the United Kingdom has no codified constitution, the role of Monarchy is defined by convention – a non-legal but nevertheless binding rule.

In carrying out both of these roles, The Sovereign is supported by the Sovereign Grant, and by members of the Royal Family who undertake official duties on behalf of The Sovereign.

HEAD OF STATE

The Sovereign is Head of State of the United Kingdom (and fourteen other independent countries¹).

Every country has a Head of State with constitutional and representational duties, often laid down in law. The Sovereign is no different, though the scope of Their duties has generally been defined by constitutional convention rather than by statute.

The Sovereign is politically impartial and exercises constitutional powers on the advice of Government ministers. The Royal Household works very closely with a number of Government Departments on a wide range of matters, such as constitutional and legislative affairs, security, travel and ceremonial occasions.

The conditions of the Royal Prerogative² are such that it is difficult to estimate the extent of their provision due to the uncertain nature of the circumstances that might prompt their use (such as a 'hung parliament'). This is also true of The Sovereign's role as Head of Nation, in which They and the Royal Household must be prepared to react appropriately to unpredictable national events. This requires the institution of Monarchy to be flexible, while maintaining the highest possible standards befitting of The Household of The Head of State.

¹ Antigua and Barbuda, Australia, Bahamas, Belize, Canada, Grenada, Jamaica, New Zealand, Papua New Guinea, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Solomon Islands and Tuvalu.

² Royal Prerogative is the term given to the formal powers of the Crown within the executive process of British politics and which form part of common law.

The Sovereign's constitutional role encompasses a range of parliamentary and diplomatic duties. For example, formal approval of all parliamentary legislation and secondary legislation through the Privy Council, as well as certain official public appointments. The Sovereign has a formal role in dissolving Parliament and opening each new parliamentary session and holds regular confidential Audiences with the Prime Minister. Diplomatically, The Sovereign receives the credentials of foreign Ambassadors and receives visits from other Heads of State. As Head of State, The Sovereign is the Fount of Honour and all honours are awarded in Their name (though, with certain exceptions, most are awarded on the advice of Government). The Sovereign is also Head of the Armed Forces, Head of the Judiciary and the Civil Service, and Supreme Governor of the Church of England.

In all these roles, The Sovereign provides a sense of continuity, a focus for loyalty and an assurance of political independence and neutrality for these institutions.

HEAD OF NATION

The Sovereign's role as Head of Nation is as significant as Their role as Head of State and can be divided into four key elements – unity and national identity, continuity and stability, achievement and success and support of service.

Unity and National Identity

The Sovereign has a significant function as a symbol of national identity, unity and pride. For example, it is as Head of Nation and not as Head of State that The Sovereign makes the annual Christmas Broadcast and sends messages of congratulation on national achievements, messages of condolence at times of national, international and Commonwealth tragedy, and messages of support and encouragement at times of national crisis such as the Covid-19 pandemic.

Continuity and Stability

The Monarchy provides an important sense of continuity and stability at a time of rapid social, cultural and technological change.

The regular rhythm of the Monarchy provides reassurance to many people. This is helped by recurring traditional events like Trooping the Colour, Garter Day, the Royal Maundy Service, Holyrood Week and Royal Ascot Week. In addition, anniversaries such as the Platinum Jubilee, Coronation anniversaries and family milestones to which people can relate – invite members of the public to join together with their communities to celebrate, reflect and look forward. This year, following the death of Her Majesty Queen Elizabeth II, the only Sovereign of the UK most people globally have ever known, communities came together in grief and thanks for a life devoted to duty and service. The accession of His Majesty demonstrated the importance of the continuity which The Monarchy brings.

Achievement and Success

On behalf of the Nation, Her Late Majesty and now The King and The Queen, supported by members of the Royal Family, recognised achievements and success from across our society. This is not just achieved by the Honours system, but by a range of information prizes, awards and events. These include:

Prizes & Awards

- The King's Awards for Enterprise and Voluntary Service.
- The King's Medal for Music.
- The King's Gold Medal for Poetry.
- The Queen's Anniversary Prizes for Higher and Further Education.

Events

- Themed receptions at Buckingham Palace recognise the achievements and importance of particular sectors and celebrate and promote aspects of British culture.
- Visits in Royal programmes to places and projects help to acknowledge their success, importance or uniqueness.

Anniversary Messages

During the year Their Majesties sent:

- 8,000 congratulatory telegrams to centenarians on their 100th birthdays.
- 28 messages to couples marking their Diamond Wedding anniversaries.

In this unique way the Monarchy can mark these significant milestones in people's lives.

Support of Service

The Sovereign endeavours to recognise and support the service given by others to the Nation, whether in the voluntary or charitable sector, in public life, in the armed forces or emergency services, at a national level or in the community.

The Monarchy has a direct connection to many charities and organisations through their patronages and a full programme of events aims to bring The Royal Family into contact with all sections of society, at all levels and across the country.

THE ROYAL FAMILY

The wider Royal Family supports the Sovereign particularly in relation to the role as Head of Nation. Their work has become fundamental to the Nation's appreciation of the strengths and functions of the modern-day Monarchy.

Together, in supporting The Sovereign's official duties, Members of the Royal Family normally complete approximately 3,000 engagements a year across the UK and overseas. The activities of the wider Royal Family are vital in bringing the institution of Monarchy into direct and personal contact with all sections of society, including the disadvantaged and the marginalised. The different generations of the Royal Family help to make the work of the Monarchy relevant and accessible to people at every stage of life.

In turn, members of the Royal Family are supported in undertaking their official engagements by Lord-Lieutenants, who are responsible for the organisation of all Royal visits to their county and who make sure that The Sovereign's Private Office is kept informed about local issues relating to their area. Lord-Lieutenants are also responsible for the presentation of decorations where the recipient cannot attend an investiture.

EXPENDITURE FUNDED FROM OTHER SOURCES

Duchy of Lancaster

Income from the Duchy of Lancaster, described as Privy Purse income, is private income largely used to meet official expenditure, incurred by The Sovereign and other members of the Royal Family, which is not met by the Sovereign Grant. It is taxed to the extent that the income is not used for official purposes. Accounts for the Duchy of Lancaster are presented to both Houses of Parliament annually, copies of which are available online at www.duchyoflancaster.co.uk.

Duchy of Cornwall

Income from the Duchy of Cornwall funds the private and official expenditure of the Household of The Prince and Princess of Wales and is taxed to the extent it is not used to meet official expenditure. Accounts for the Duchy of Cornwall are presented to both Houses of Parliament annually, copies of which are available online at www.duchyofcornwall.org.

The Royal Collection

The Royal Collection consists of works of art of all kinds and is held by The Sovereign in trust for Their successors and for the Nation. All costs of maintaining the Royal Collection are met by The Royal Collection Trust, a registered charity, from visitor admissions to the Occupied Royal Palaces and related activities. The Royal Collection Trust receives no funding from the Government. Nearly 5.7 million people saw items from the Royal Collection in Royal Palaces during 2022-23 (2021-22: 2.5 million). An annual report is published by The Royal Collection Trust, copies of which are available online at www.rct.uk.

Further information is available online at www.royal.uk

PERFORMANCE REPORT

This performance report sets out how the Sovereign's Household ("the Royal Household") has worked to deliver its objectives, highlighting its key achievements.

PURPOSE

The role of the Royal Household is to provide exceptional support and service to The Sovereign and members of the Royal Family, in Their service to the Nation.

Continuous improvement is an important part of the Royal Household's operating approach to ensure it continues to operate in a business-like and professional manner, with a strong emphasis on value for money and accountability in the use of public funds and resources.

HOUSEHOLD OBJECTIVES

The objectives of the Royal Household are to:

- Plan and deliver first-class Royal events.
- Provide high quality advice and effective input into policy issues.
- Communicate effectively the role and activities of the Monarchy.
- Support / influence all Royal Households.
- Maintain and make accessible the Official Residences and the Royal Collection.
- Continue to develop a diverse team of well-led, trained, motivated and adaptable professionals.
- Ensure best value from financial resources.
- Ensure business process / infrastructure provides the best possible support and continues to develop.
- Operate in a sustainable way, to minimise the Royal Household's impact on the environment.

OVERVIEW OF THE YEAR

The year ended 31 March 2023 was a unique period in the history of the Monarchy in the UK, a celebration of 70 years of service in the Platinum Jubilee, the sadness of the death of Her late Majesty, The Accession of King Charles III, and the recommitment of the role and importance of The Sovereign. While these events dominated, the year the role of the Royal family continued with 2,710 visits and events throughout the UK, the Realms and the Commonwealth. The Buckingham Palace Reservicing programme continued apace, despite both events and the normal summer opening of Buckingham Palace returning to the programme post-Covid. Further analysis is provided below.

Expenditure summary

Total Official expenditure met by the Sovereign Grant in 2022-23 has increased 5% from 2021-22 to £107.5 million. Within this, property maintenance expenditure decreased 10%. This Performance Report on pages 7 to 23, sets out activity for the year.

Capital expenditure more than doubled to £4.3 million in 2022-23 from 2021-22. This was mainly driven by capital expenditure in Reservicing based on the timing of capital works as part of the programme.

	2022-23	2021-22	Increase / (Decrease)	Increase / (Decrease)
	£'m	£'m	£'m	%
Official expenditure met by the Sovereign Grant	107.5	102.4	5.1	5%
Expenditure on property maintenance	57.8	63.9	(6.1)	(10%)
Of which related to Reservicing	43.0	47.8	(4.8)	(10%)
Capital expenditure	4.3	2.0	2.3	115%
Of which related to Reservicing	2.8	0.8	2.0	250%

The Sovereign Grant Reserve of £10.1 million (2021-22: £30.8 million) does not include any funds to meet future commitments for the Reservicing of Buckingham Palace (2021-22 £15.1 million). Authorised and contracted Reservicing commitments are £58.4 million at 31 March 2023 (2021-22: £77.7 million), set out in Note 13 to the accounts. The table below shows reserve movements during the year.

Reserve movements

	2022-23	2021-22
	£'m	£'m
The equivalent of the Sovereign Grant funding less total net expenditure, drawn down from the Sovereign Grant Reserve	(21.2)	(16.1)
Transfer from the non-current assets reserve to cover capital expenditure net of depreciation	0.7	1.6

These reserve movements are set out on pages 85 and 86.

PERFORMANCE REPORT - ACTIVITIES

INCOME GENERATION

Income supplementing the Sovereign Grant amounted to £9.8 million (2021-22: £9.9 million), a net decrease of £0.1 million (1%), due to decreased income from recharges and other income, offset by increased facilities management charge and property rental income.

Prior to the Covid-19 pandemic around one third of total income used to support official duties and the core maintenance of the Occupied Royal Palaces was earned from sources other than the Sovereign Grant. The largest source of income came through a facilities management charge to The Royal Collection Trust for use of the Palaces to carry out its activities.

The facilities management charge for 2022-23 was £0.5 million (2021-22: £0.4 million; 2020-21 £nil; 2019-20 £7.3 million¹). On the basis of current forecasts for visitor numbers at the Occupied Royal Palaces and a change in the basis of calculation agreed with the Trustees of the Royal Collection Trust it is anticipated that the charge for 2023-24 will return to pre-Covid levels.

Recharge income for 2022-23 was £5.7 million (2021-22: £6.2 million). This decrease is a result of lower recharges for Property Maintenance works offset by increased income relating to Digital Services activities.

PROPERTY MAINTENANCE - CORE

The Property Section is the department of the Royal Household responsible for the maintenance of and related services to, the Occupied Royal Palaces in England.

The approach of the Property Section is based on a prioritisation model that ranks required works and projects across the Occupied Royal Palaces Estate within a rolling ten-year plan. This is achieved through pre-planned, preventative maintenance and conservation (and wherever possible enhancement) of the architectural and historical integrity of the buildings, while ensuring that the Palaces can continue to be used in the most effective and efficient way as living and working buildings.

The care of the buildings is based on:

- The detailed specialist knowledge, experience and observation of members of the Property Section.
- Expert advice from a wide range of independent consultants with experience in conservation, backed up by regular consultation with Historic England and the use of contractors with appropriate experience.
- Programmes of regular checks, tests and inspections to ensure compliance with new legislation and regulations affecting construction, fire precautions, environment, sustainability and Health and Safety.

¹ During the pandemic the Lord Chamberlain's Committee agreed and discussed with HM Treasury, to waive facilities management charges for all of 2020-21 and two months of 2021-22.

- Regular independent condition assessments which assist in determining maintenance priorities and monitoring changes in the overall condition of the Occupied Royal Palaces Estate.

All projects with a construction cost of £15,000 or more are individually monitored through the Annual Works Programme showing projected and actual costs, which is updated monthly. A summary of property maintenance activities undertaken in 2022-23 is given on page 11. All projects over £125,000 are approved through a Business Case process, based on the HM Treasury 5-case model (strategic, economic, commercial, financial and management).

Expenditure on property maintenance from the Core Sovereign Grant (including property capital expenditure, but before any recharges to other funding sources) was £15.0 million in 2022-23, compared with £17.1 million the previous year. This decrease is largely due to the unchanged level of Sovereign Grant from 2021-22 and inflationary pressures across all areas of expenditure.

The Royal Household has committed to use over 50% of any increase in the Core Sovereign Grant funding to increase the Annual Works Programme to a level which will improve the condition of the Occupied Royal Palaces Estate. The approved Budget for 2023-24 aims to ensure this commitment continues to be met. The latest independent condition assessment survey of the Occupied Royal Palaces Estate at December 2020 highlighted that 53% of the Estate was at or above target condition (50% in 2017). The next condition assessment survey will take place in 2025.

Since the introduction of the Sovereign Grant in 2012-13, 53% of the increase in the Core Sovereign Grant has been allocated to property maintenance. Including the funding for the Reservicing of Buckingham Palace, 72% of the increase in the Sovereign Grant has been allocated to property maintenance over the same period. Continued progress with the Buckingham Palace Reservicing Programme will contribute to the improvement in condition.

Major Projects in the Year

In 2022-23 a total of 61 projects over £15,000 (in year spend) in value (2021-22: 70) were carried out across the Estate. One of these projects had a construction works spend in excess of £400,000 in the year and accounted for 50% of the total Annual Works Programme spend (excluding Buckingham Palace Reservicing) across the whole Estate (2021-22: 5 and 44%), details of which are set out below.

Water Infrastructure Repairs and Replacement, Windsor Castle (£4.3m this year; £5.8m total costs to date)

The last phase of this programme is the installation of storage tanks and pump technology to collect Thames Water supply, pressurise and pump it up to the Castle environs. The main works are nearing completion with all of the underground reservoir works complete and the above ground works awaiting final testing.

Property Maintenance – future developments

The Annual Works Programme of the Property Section for 2023-24 includes a number of major projects which aim to meet the objectives set out in the Sovereign Grant Framework Agreement with HM Treasury.

Salisbury Tower Roof and Masonry Remedials, Windsor Castle

Following routine masonry surveys during the summer of 2022 significant masonry defects were identified on the public facing façade of Salisbury Tower. The project aims to rectify the structural defects. However, due to the location and complex logistics required to carry out the repair the project will also assess the potential cost-benefits of carrying out a full programme of masonry works and roof renewal.

Water Infrastructure Repairs and Replacement, Windsor Castle

The year will see the completion of the last phase of the water infrastructure replacement, which commenced in 2022-23.

Additional Works not funded by Buckingham Palace Reservicing Programme

The Reservicing programme is mechanical and electrical focussed, with some operational improvements. For the first time since original construction the building fabric is open and accessible, providing opportunities to undertake additional works not funded by the programme. These include enhanced fire protection compartmentation, historic finishes repairs and the refurbishment of chandeliers and sundry fittings and fixtures.

BUCKINGHAM PALACE RESERVICING

The Buckingham Palace Reservicing Programme, which will replace the services throughout Buckingham Palace to ensure that the Palace is fit for purpose, presents a unique opportunity for innovation and investment in one of the world's most prestigious and iconic historic buildings, and will preserve it for future generations.

The objectives of the Programme are to:

- Replace the ageing core services of the Palace to minimise the very real risk of fire or flood damage.
- Ensure that Buckingham Palace remains fit for purpose as the principal residence of The Sovereign through operational improvements.
- Increase and improve the public access to the Palace (including adjustments to improve accessibility).
- Optimise the use of the wider London estate.
- Improve the energy efficiency, and cost-effectiveness, of the Palace.
- Provide value for money and a demonstrable return on investment through the benefits outlined above.

In addition to replacing the essential services, the Reservicing Programme will deliver other benefits and efficiencies, including the opportunity for a new generation of construction professionals to work on a historic building through apprenticeships, graduate and other programmes.

This 10-year programme of works, at a budgeted total cost of £369 million, is being undertaken by a dedicated Project Management Office ("PMO"), consisting of both Household staff and external consultants seconded to the Household. This team provides leadership, direction and an operational interface during the delivery of the Programme. The ongoing pre-planned preventative maintenance across the Occupied Royal Palaces will continue to be undertaken by the Royal Household Property Section.

Management of the programme risk has not been transferred to a separate delivery authority and remains with the Master of the Household as the Senior Responsible Owner ("SRO") and the Keeper of the Privy Purse as Accounting Officer, both of whom are accountable to HM Treasury and Parliament. The SRO and the Accounting Officer, as members of the Lord Chamberlain's Committee, provide regular reports on the programme's progress and the impact on the Royal Household's operations. HM Treasury is engaged throughout the programme through attendance at meetings of the Sovereign Grant Audit and Risk Assurance Committee and the independent Programme Challenge Board.

The programme risks are mitigated by the PMO's management of the procurement and construction process and the programme being delivered in phases. The phased approach also provides the flexibility required to adapt the programme and address the impact of changes, which are inevitable over a programme of this length. These phases are:

- **Advanced Works** – The creation of open plan offices for PMO and Household staff within the Palace to enable the decant of staff from the East Wing, allowing the team to commence the Reservicing in that area. The removal of Vulcanised Indian Rubber (“VIR”) cabling was included as part of this phase as this cabling was deemed to present the greatest fire risk and therefore early removal was essential. All known VIR cabling has now been removed throughout the Palace (comprising over 3 km). The Advanced Works have been completed.
- **High Priority Works** – The replacement of main plant (boilers, generators, electrical panels and water tanks) and elements of primary services distribution. The High Priority Works have been completed.
- **Palace Wide Infrastructure** – The replacement of all primary services distribution infrastructure within the basement. Originally planned on a wing-by-wing basis as part of the Reservicing phase, this programme of activities now being concurrently in the basement areas.
- **Reservicing** – The wing-by-wing replacement of secondary services distribution, fittings and controls through the building to contribute directly to energy efficiencies.
- **Operational Improvements** – A range of interventions which are improving operational efficiency and support the delivery of benefits which are highlighted in the Business Case approved by HM Treasury.

The Royal Household has established a clear and detailed governance process to allow the continual monitoring of programme risks and to ensure that progress is being achieved according to targets. This is done through an Integrated Assurance Group which regularly reviews the overall governance of the programme. In line with the Government Infrastructure & Projects Authority process, there will be a series of formal Gateway Reviews and Checkpoint audits by independent reviewers. Seven Programme Assessment Reviews and four Gateway Reviews have been completed as at 31 March 2023, to inform the Programme Challenge Board. Gateway Reviews for the East Wing and West Wing projects is scheduled for July and September 2023 respectively and a further Programme Assessment Review is planned for October 2023.

Major Focus in the Year

Sovereign Grant funding in respect of Reservicing in 2022-23 was unchanged from 2021-22. Due to high inflation and the expectation of higher utility costs, the Sovereign Grant Reserve was unable to provide temporary support to the Reservicing programme. Accordingly, the Reservicing programme was reset to reduce planned expenditure in the year. It is anticipated that this reset will have no impact on the overall completion of the programme as planned.

During 2022-23 the key areas of work have included:

- Completion of the new Fire Control Room.
- Completion of reservicing works of key operational spaces in the West Wing.

- Completion of reservicing works in the West Gallery.
- Works in the lightwells within the West Wing to create new guest WCs and staff changing facilities.
- Works in the East Wing, including the completion of two new lift shafts and guest WCs, which will make the Palace more accessible. In addition improved staff and guest accommodation is being delivered. Completion is anticipated for Summer 2023.
- Completion of South Wing Enabling works.
- Commencement of the Procurement for the South Wing Main Works Contract, with award anticipated for Summer 2023.
- Progression of the Palace Wide Infrastructure project in the basement ensuring that business as usual is maintained.
- North Wing Planning Application submitted and investigative surveys in some areas have commenced.

Future Commitments

At 31 March 2023 the Royal Household had authorised and contracted commitments of £58.4 million to be met from future funding over the next four years to 2026-27.

Reservicing of Buckingham Palace Projects – future developments

Key activities, in 2023-24 will include:

- Completion of the East Wing Reservicing works. The East Wing works, including the operational improvements in this area are anticipated to complete and the rooms reinstated by the end of 2023.
- Completion of the current phase of the West Wing works, including additional guest WCs, and reinstatement of these areas for operational use.
- Commencement of the next phase of the West Wing works, including the introduction of two new lifts. This will involve the decant of spaces in the West Wing, including the protection of Royal Collection items. Commencement of the South Wing works, including the appointment of a Main Contractor.
- Continuation of the Palace Wide Infrastructure project, particularly focusing on the completion of new Plant Rooms and infrastructure in the West Wing, South Wing and North Wing basements.
- Continuation of investigative surveys in the North Wing, to inform the design and de-risk the latter years of the programme.
- Planning and Listed Building Consent for all wings. The North Wing application is due to be determined this financial year.

TRAVEL

The Sovereign Grant meets the cost of official journeys undertaken by or in support of The Sovereign and other members of the Royal Family.

Safety, security, the need to minimise disruption for others, the effective use of time, environmental impact and cost are taken into account when deciding on the most appropriate means of travel. Staff may travel with members of the Royal Family or separately (e.g. to undertake reconnaissance visits or to arrive in advance).

The programme of overseas visits (other than Realm visits) which is funded by the Sovereign Grant is determined by the Foreign, Commonwealth and Development Office (“FCDO”) and undertaken on behalf of Government and is approved by the Royal Visits Committee according to agreed priorities.

The Royal Visits Committee is a Cabinet Office Committee, chaired by the Permanent Under Secretary of the FCDO with representatives from Government and the Royal Households.

In the year ended 31 March 2023, 2,715 official engagements were undertaken across the United Kingdom and overseas by members of the Royal Family (2021-22: 2,312). A list of the 31 (2021-22: 26) journeys undertaken by members of the Royal Family and their staff during 2022-23 which had travel costs of £17,000 (2021-22: £15,000) or more, met from the Sovereign Grant, is available on the Monarchy website at www.royal.uk. The travel costs for overseas tours also include the costs associated with staff undertaking visits in advance in order to plan the tour programmes.

The principal overseas visits undertaken by The King, The Queen and The Prince and Princess of Wales included:

Member of the Royal Family	Type of Visit	To	Cost
The King (former Prince of Wales) and The Queen (former Duchess of Cornwall)	CHOGM	Rwanda	£187,000
The King and The Queen	Official FCDO	Germany	£146,000
The Prince and Princess of Wales	Official FCDO	Boston, United States	£48,000
The Prince of Wales	Official FCDO	Poland	£40,000

DIGITAL SERVICES

The Digital Services function supports the development of the Royal Household's digital capability through the modernising of the IT infrastructure and the creation of a secure and resilient operating environment.

During the year Digital Services worked with external parties to enhance the security of the Royal Household's systems, prioritising this work based on the results of detailed service mapping. This included increasing the maturity of the supplier assurance process, and the capabilities of the Royal Household's security operations centre. A detailed user need assessment took place to inform and prioritise the programme of works for 2023-24. Emphasis was also placed on promoting collaborative and flexible working through the use of existing applications, and this work will continue during 2023-24.

In addition, there was increased support for the Platinum Jubilee celebrations, the funeral of Her late Majesty, and preparations for the Coronation of Their Majesties on 6 May 2023.

Priorities for 2023-24 will include the ongoing and necessary replacement of infrastructure while delivering value for money as well as increased security and improvements in the Royal Household's ways of working through the recently implemented Customer Relationship Management system to improve data analysis.

During 2022-23, there were no data breach incidents to report to the Information Commissioner's Office (2021-22: none).

PUBLIC ENGAGEMENTS

Public engagements throughout the UK conducted by The Sovereign and members of the Royal Family together with Events and Hospitality at the Occupied Royal Palaces support the Sovereign's role as Head of Nation.

During the period 1 April 2022 to 8 September 2022, Her late Majesty The Queen undertook 201 (2020-21: 113) official engagements.

Highlights of Her late Majesty's schedule included:

- | | |
|-----------|---|
| April | <ul style="list-style-type: none">• The late Queen opened and named the Queen Elizabeth Unit at the Royal London Hospital by video link• The late Queen received President of Swiss Confederation Ignazio Cassis at Windsor Castle |
| May | <ul style="list-style-type: none">• The late Queen took the salute at the Platinum Jubilee Pageant at the Royal Windsor Horse Show• The late Queen attended the Elizabeth Line opening at Paddington Station. |
| June | <ul style="list-style-type: none">• The late Queen attended a Luncheon Party for the Companions of the Most Noble Order of the Garter at Windsor Castle• The late Queen received the Keys of the Castle from the Governor of Edinburgh Castle at the Palace of Holyroodhouse |
| July | <ul style="list-style-type: none">• The late Queen presented George Crosses to representatives of the Health Services of the four Nations of the United Kingdom at Windsor Castle• The late Queen, accompanied by The Princess Royal, visited Thames Hospice, Maidenhead |
| August | <ul style="list-style-type: none">• The late Queen attended Divine Service held in Crathie Parish Church on three occasions |
| September | <ul style="list-style-type: none">• The late Queen received the Rt. Hon. Elizabeth Truss MP and requested her to form a new Administration |

During the year to 31 March 2023, His Majesty The King undertook 565 official engagements (205 engagements as Prince of Wales) and Her Majesty The Queen undertook 213 engagements (82 as Duchess of Cornwall) of which 133 were joint engagements.

Highlights of Their Majesties' schedules included:

- September
- The King held his first Privy Council at St. James's Palace at which a Proclamation was approved proclaiming His Majesty as King Charles the Third. At the Council His Majesty made a Declaration, which was ordered to be published, and subsequently took and subscribed the Oath for the Security of the Church of Scotland.
- October
- The King received the Rt. Hon. Rishi Sunak MP and requested him form a new Administration.
 - The King and The Queen held a Reception at the Palace of Holyroodhouse for the British South Asian Communities.
 - The Queen met Independent Domestic Violence Advisers, survivors of domestic abuse and representatives of the domestic abuse service at Chelsea and Westminster Hospital.
- November
- The King hosted a State Banquet for the President of the Republic of South Africa during his State Visit to the United Kingdom
 - The King and The Queen gave a Reception at Buckingham Palace for Medallists at the Tokyo 2020 Olympic and Paralympic Games and the Beijing 2022 Olympic and Paralympic Games.
 - The King, accompanied by The Queen, unveiled a statue of Queen Elizabeth II on the West Front of York Minster.
 - The King held a reception at Buckingham Palace to celebrate the contribution of small and medium-sized businesses to the economy.
 - The Queen, accompanied by The Duchess of Edinburgh, held a Reception at Buckingham Palace to raise awareness of violence against women and girls. The Queen of the Belgians, The Queen of the Hashemite Kingdom of Jordan and The Crown Princess of Denmark were present.
- December
- The King visited the Royal National College for the Blind in Hereford to celebrate its One Hundred and Fiftieth Anniversary
 - The King attended the Palace of Westminster to unveil a plaque marking the place of the Lying-in-State of Her late Majesty The Queen
- January
- The King visited Greater Manchester and visited the Northwest hub of Government Communications Headquarters, the Kellogg's factory, Bolton Town Hall and Norbrook Community Centre.
 - The Queen visited 1st Battalion Grenadier Guards at Lille Barracks to mark Her Majesty's appointment as Colonel of the Regiment.

- February
 - The King and The Queen visited East London and visited Altab Ali Park, Brick Lane Mosque and the University of East London’s Stratford Campus.
 - The King held a Reception at Buckingham Palace in support of Global Diversity.
 - The King visited the Felix Project in London, where His Majesty toured the depot and kitchen.
- March
 - Conducted a State Visit to Germany

EVENTS AND HOSPITALITY

The Royal Household, in addition to enabling The Sovereign to undertake Their constitutional duties as Head of State, helps to support The Sovereign and other members of the Royal Family to plan and deliver a programme of first-class Royal events including tours, garden parties, receptions, investitures and other official entertaining. Such events were put on hold during the Covid-19 pandemic, with the programme gradually re-starting in 2021-22.

In 2022-23 The Royal Household delivered the following events, welcoming over 95,000 guests to Official Residences over the course of the year:

Receptions	107
Lunches / Afternoon Teas	142
Investitures	44
Garden Parties	7
Dinners	38

In addition, 2022-23 saw a return to incoming State Visits, with a visit by the President of the Republic of South Africa.

Major Events in the Year

The following events during the year had a total cost to the Sovereign Grant of more than £400,000.

Event	2022-23 Cost	Total Cost	Description
Platinum Jubilee	£0.3m	£0.7m	The Platinum Jubilee weekend in early June 2022 saw almost all working members of the Royal Family and some non-working family members participating in the key national events: Trooping the Colour; the National Service of Thanksgiving; the BBC Concert and the Jubilee Pageant. During the weekend, members of the Royal Family also undertook visits to each of the home nations. A number of members of the Royal Family also supported other significant Jubilee initiatives such as the Big Lunch and, later in the year, visited the eight new Jubilee cities. This follows the extensive Royal involvement earlier in 2022 with two of the flagship Jubilee legacy projects, The Queen's Green Canopy and the Platinum Pudding Competition.
The Funeral of Her late Majesty The Queen	£1.6m	£1.6m	Following the death of Her late Majesty in September 2022 Members of the Royal Family took part in a number of significant events as the world marked Her late Majesty's passing, including hosting a reception for Heads of State and official overseas guests, mounting a vigil at the Lying in State, the Funeral Service at Westminster Abbey and the Committal Service held in St George's Chapel, Windsor Castle.

Public Engagements Plans for 2023-24

2023-24 is the Coronation Year, focussed around the Coronation on 6 May 2023 which saw all working members of the Royal Family and some non-working members of the family participating in key national events.

Over the Coronation weekend, this included:

- The Big Coronation Lunch, which saw neighbours and communities come together to share friendship, food and fun as part of the Coronation weekend with more than 65,000 Big Lunch events taking part in all four corners of the

UK. Established in 2009, the Big Lunch is a patronage of Her Majesty The Queen. Members of the Royal Family attended Big Lunch events across the country.

- The Big Help Out, in tribute to His Majesty The King's public service, The Big Help Out encouraged people to try volunteering for themselves and join the work being undertaken to support their local areas. Members of the Royal Family joined in with volunteering activities and services to recognise volunteers.

CORRESPONDENCE

For the 2022/2023 financial year, Buckingham Palace received 183,207 items of correspondence. This includes 67,963 items received in the five months prior to the passing of Her late Majesty The Queen, and 115,244 items received in the seven months after the passing of Her late Majesty.

This represents the busiest year on record for incoming post. Engagement with The Royal Household has never been higher over any comparable twelve-month period, driven by the Platinum Jubilee, and the change of reign on the passing of Her late Majesty.

Separate to this, Buckingham Palace received 50,856 applications to the Anniversaries Office during the same period. Of these, 34,576 applications related to anniversary cards and 9,060 related to milestone birthdays.

HUMAN RESOURCES

During the year HR has focused on three priorities, alongside supporting the Royal Household return to pre-covid levels of activity as reflected throughout this report, while also communicating and implementing the impact of the change of reign on staff:

- A new Inclusion and Diversity strategy and action plan supported by a specially formed working group with representation from across the Royal Household. This saw the introduction of a comprehensive suite of education resources and learning programmes for all leaders and employees designed to build knowledge, understanding and capability, to promote a positive and inclusive working culture, with high levels of staff engagement. In addition, grass root networks continue to support initiatives to underpin progress on representation and the creation of an inclusive culture.
- The successful implementation of the Royal Household's new learning system: "Aster" enabled the delivery of a new suite of learning programmes covering Inclusion and Diversity and mandatory compliance training to underpin the organisation's management of risk.

- Supporting the development and implementation of new governance arrangements in conjunction with the introduction of the Operations and Risk Committees.

The death of Her late Majesty The Queen required swift and effective communications, consultation, and compassionate management of the changes. The HR team worked closely with Heads of Department and The former Prince of Wales’s Household to facilitate the transition of the Royal Household in support of Their Majesties.

Human Resources Plans for 2023-24

HR plans for will:

- Focus on the impact of the change of reign and the ways in which the Royal Household will continue to adapt to create the capability and agility to support and deliver Their Majesties’ programmes.
- Increase the focus on leadership of change through continued training, support and guidance for senior managers.
- Measure the progress on culture change in relation to Inclusion and Diversity including through a Household wide survey.
- Undertake equality impact assessments of resourcing and onboarding of recruits. The newly strengthened Talent Acquisition team will be reviewing how the Royal Household attracts and selects the widest range of candidates.
- A new Performance Development Review system will be implemented.

VOLUNTEERING AND CHARITABLE WORK

The Royal Household is supportive of employees who undertake volunteering and charitable activities, recognising the benefit both to the individual involved and for forging links between the Household and the wider community. Employees can take up to five days paid volunteering leave a year for this purpose.

SUPPLIER PAYMENT PERFORMANCE

The Royal Household's performance for paying its suppliers is:

Percentage paid within:	2023	2022
	%	%
• 15 days of receipt of invoice	46	44
• 30 days of receipt of invoice	89	87

The Royal Household’s five-year summary of financial performance can be found in Appendix 2 page 125.

ENVIRONMENTAL, SOCIAL & GOVERNANCE (“ESG”) INVESTMENT

Since 1 August 2020, all new Royal Household employees are auto-enrolled in the Royal Household Worksave Pension Scheme, which is a Mastertrust scheme. The chosen default fund is the LGIM Future World Multi-Asset Fund which incorporates environmental, social and governance factors in determining the fund's investment strategy. The default fund invests in ethical companies and thus supports the Royal Household's social responsibility aims and helps future-proof the investment portfolio for members.

Over March and April 2022, the Royal Households Group Pension Scheme moved its investments in equities from standard index funds to the LGIM Future World Global Equity Index Fund, which incorporates environmental, social and governance factors in determining the fund's underlying equity investments. This fund has a carbon footprint and intensity which is around 50% lower than a standard global equity index. This supports the Royal Household's social responsibility aims and will also help continue to reduce the carbon footprint of the Pension Scheme.

PERFORMANCE REPORT - ENVIRONMENTAL REVIEW

OVERVIEW AND STRATEGIC AIMS

In the context of the global challenge of climate change, The Royal Household has long recognised that it needs both to act itself and to show leadership to others.

The Royal Household aspires to set a high benchmark for environmental sustainability within the context of the historic environment in which it operates through careful management and monitoring of existing systems; placing sustainability at the forefront of future developments and improvements; working with partners and suppliers in a holistic manner; and employing innovative, technological approaches wherever possible. Above all else, the Royal Household aims for cultural change by improving the sustainability literacy and achievements of staff, contractors, suppliers and residents such that efforts to protect the natural environment are inherent and pervasive across the wider organisation and its supply chain.

This strategy will be delivered through direct action on the ground, through advocacy, leadership and monitoring. Delivery will take time and The Royal Household recognises that not all of the answers exist right now but is keen to facilitate the delivery of technology led solution-oriented projects to assist the Occupied Royal Palaces Estate as well as influence wider society to mitigate and adapt to the challenges of climate change over the forthcoming decades.

In the 2021-22 annual report, The Royal Household outlined a number of strategic aims for sustainability, covering the range of activity required by a best practice organisation and demonstrating The Royal Household's commitment to sustainability.

During 2022, The Royal Household appointed a Sustainability Lead and considered how best to implement these objectives. As a result, a phased and focused sustainability programme has been developed with climate change as the initial priority area and six key focus areas of activity to be undertaken including calculating the Royal Household's carbon footprint, building a roadmap to Net Zero, enhancing internal and external communications, building staff engagement, knowledge and capability, establishing a governance framework and building appropriate external partnerships.

These build on the strategic aims outlined in last year's annual report and will be implemented over the course of 2023-24.

ACTIVITY AND PROGRESS

1. 2022-23 Statistics

Greenhouse Gas Emissions (“GHG”)

Total Scope 1, 2 and 3 (market based) emissions have decreased by 16% during 2022-23. This has been driven by a combination of:

- A 19% decrease in Natural Gas and Heating emissions due to targeted initiatives taken over the course of the last year including:
 - A concerted effort to reduce occupied room set points to 19C during the winter, as well as educate staff to turn down the temperature in vacant rooms to 16C and be more aware of the potential for reducing heat loss.
 - Limiting heating temperatures and heating buildings to a minimum temperature at weekends.
 - Completion of the Optimisation Strategy in the Buckingham Palace Energy Centre resulting in greater control and associated savings.
 - Further Optimisation of the Building Management System across the London sites and Windsor Castle, which is used to control plant and machinery.
 - Improved controls, settings and utilisation at Frogmore House and the Greenhouse at the Home Park, Windsor.
 - Where possible, historic gas lamps have been switched off when safe to do so, pending the installation of electric fittings.
 - Procuring a larger proportion of renewable electricity.

The purchase of renewable energy certificates means there are minimal emissions from Purchased Electricity (market based).

- A 43% decrease in business travel emissions as a result of fewer requests from the Government for tours involving long haul charter flights.

The purchase of renewable energy certificates means there are minimal emissions from Purchased Electricity (market based).

GHG Emissions reported as both Location- and Market-based

Illustrating the difference in emissions between applying Market-based emission factors (using zero for electricity from renewable sources) and Location-based emissions factors (using UK grid-average emissions factors); in line with the GHG Protocol Scope 2 reporting guidance:

GHG emissions for reporting purposes are deemed to be Market-based		2023 (tCO ₂ e)	2022 (tCO ₂ e)	2023 Change from 2022	2021 (tCO ₂ e)	2020 (tCO ₂ e)
Scope 1 ¹	Natural Gas & Heating	2,712	3,330	(19%)	2,902	3,544
Scope 1	Owned/Leased Vehicles ²	532	521	2%	-	-
Scope 2	Purchased electricity (MB) ³	-	22	(100%)	26	28
Scope 2	Purchased electricity (LB) ⁴	1,160	1,198	(3%)	816	1,429
Total Scope 1 & 2 (MB)		3,244	3,873	(16%)	2,928	3,572
Total Scope 1 & 2 (LB)		4,404	5,071	(13%)	3,744	5,001
Scope 3	Business travel	1,615	2,857	(43%)	529	1,953
Scope 3	Fuel and Energy Related Activities (MB) ⁵	917	-	-	-	-
Scope 3	Fuel and Energy Related Activities (LB) ⁵	1,023	-	-	-	-
Total Scope 1 – 3 (MB)		5,776	6,838	(16%)	3,529	5,649
Total Scope 1 – 3 (LB)		7,042	8,036	(12%)	4,345	7,078
Outside of Scopes¹		61				

All emissions have been calculated using the relevant carbon conversion factors from Department for Energy Security and Net Zero/DEFRA.

¹ Scope 1 Natural Gas and Heating and Owned and Leased Vehicles have previously been aggregated into one total figure in previous disclosures. We have split these two sources out to support variance analysis and improved measurement and monitoring of these emissions in the future.

² Data not captured for 2021 or 2020.

³ GHG emissions for electricity calculated according to the Market-based method, supported by contractual arrangements with suppliers for the purchase of renewable electricity.

⁴ GHG emissions for grid electricity calculated using UK grid-average (Location-based) emissions factors.

⁵ Fuel and Energy Related Activities ("FERA") accounts for the transmission and distribution of electricity and the upstream emissions e.g. Well to Tank ("WTT") emissions from electricity and the WTT from other fuels used in heating and own/leased vehicle fleet. 2022-23 is the first year FERA data has been established. The Royal Household previously reported "Electricity Transmission & Distribution" and was 108 tCO₂e in 2021-22. This included the emissions associated with the transmission and distribution of electricity but not the upstream emissions, therefore a year on year comparison is not appropriate.

Energy Consumption

	2023	2022	2023	2021	2020
	kWh(m)	kWh(m)	Change from 2022	kWh(m)	kWh(m)
Gas	14.9	18.2	(18%)	14.7	16.5
Electricity – National Grid	6.0	5.7	5%	3.6	5.7
Electricity – Hydro-electric Scheme at Romney Lock, Windsor	0.7	1.1	(36%)	0.8	0.7
Total	21.6	25.0	(14%)	19.1	22.9

Financial indicators

	2023	2022	2021	2020
	£'m	£'m	£'m	£'m
Expenditure on energy	2.7	1.4	1.3	1.5
Expenditure on electricity	1.3	0.9	0.8	1.0
Expenditure on gas	1.4	0.5	0.5	0.5
Expenditure on official business travel	2.3	1.7	0.3	2.6

Water

In 2022-23, 0.1 million cubic metres of water from public suppliers was used across the Estate (2021-22: 0.1 million cubic metres). Refer to page 124 for related expenditure.

Waste

In 2022-23, 1,349 tonnes of waste was produced across the Household (2021-22: 1,522 tonnes), an 11% decrease. This is largely due to the reclassification of some waste at St James's Palace from commercial to residential. Waste generated and removed by works contractors is not included. The tonnage of waste recycled includes gardens and horse waste from London and Windsor.

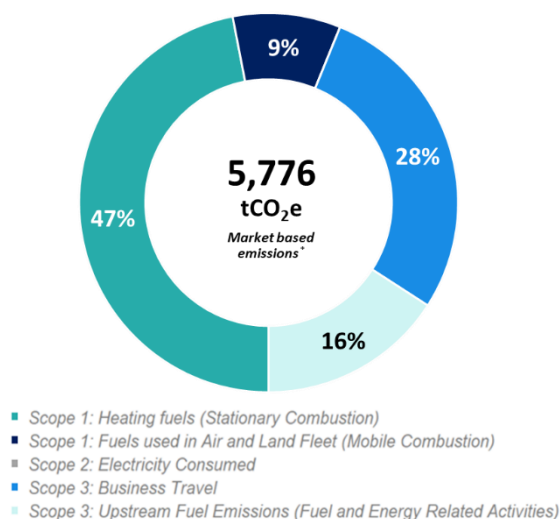
	2023 Tonnage	2022 Tonnage	2023 Change from 2022	2021 Tonnage	2020 Tonnage
Waste recycled	1,101	1,103	(0.1%)	1,068	1,310
Waste to landfill / incineration	248	419	(41%)	418	528
Total waste	1,349	1,522	(11%)	1,486	1,838
Expenditure (£'m)	0.3	0.3	-	0.2	0.3

Motor vehicle fleet

At 31 March 2023 97% of the Royal Household's motor vehicle fleet is Ultra Low Emission Zone compliant.¹

2. Greenhouse gas emissions profile

A critical activity during the last year has been the calculation of a Greenhouse Gas (GHG) Emissions profile for The Royal Household. The work completed has expanded the scope and quality of existing data and a reporting infrastructure has been developed to ensure consistent and accurate data collection, collation and aggregation across The Royal Household. We will continue to improve both the quality and scope of data within future reporting.



¹ First year of reporting, no comparative information available.

The emissions profile shows that the majority of The Royal Household's emissions come from natural gas and heating, followed by business travel. As noted above, the purchasing of renewable energy certificates means that there are minimal market based emissions from electricity.

It is worth noting that future emissions may be variable due to various reasons, including but not limited to the increase in Scope 3 coverage across the organisational footprint. Additionally, select activities currently underway will impact the emissions profile across material contributors, such as the Estate. For example, currently material components of Buckingham Palace are out of use during the Reservicing Programme.

The Royal Household's methodology for reporting GHG emissions has been developed using the Greenhouse Gas Protocol (GHGP) Corporate Standard and applying the supplementary calculation methodologies presented in the Scope 2 and Scope 3 Guidance Standards.

The focus of this reporting has been on Scope 1, 2 and Scope 3 Category 3 – Fuel and Energy Related Activities Not Included in Scope 1 and 2 (“FERA”); and Scope 3 Category 6 - Business Travel. Understanding the materiality of other Scope 3 value chain emissions categories and including them in the reporting boundary will be a key next step in the Royal Household's decarbonisation journey.

The baseline year has been selected as 2022-23. This decision was made based on data quality and a representative emissions profile, as prior years have been significantly impacted by the COVID-19 pandemic.

Where a full 12 months of data has not been available, consumption has been pro-rated or proxied, based on equivalent periods in prior years.

3. **Roadmap to Net Zero**

Following the calculation of the Royal Household's emissions profile, a pathway to decarbonisation has been developed which aims to support the Royal Household's understanding of what is required to achieve a transition to net zero for Scope 1, 2 and (selected) Scope 3 in line with science. Based on the analysis performed, areas of focus have been identified, which will deliver the most material outcomes. These include reducing emissions relating to natural gas and heating and business travel.

A number of key initiatives have been identified which aim to support a 1.5 C aligned pathway. The progress made in decreasing the Royal Household's emissions profile to date means that further progress will rely on some large fundamental changes. Options which are now being explored include connecting the London estate to heat networks where viable, installing heat pumps at Windsor, electrification of the vehicle fleet and replacing helicopter and chartered aircraft jet fuel with sustainable aviation fuel, subject to availability and value for money.

The Royal Household recognises, however, that it cannot achieve its ambitions alone and its ability to deliver is particularly dependent on external developments in technology and public policy. As a result, the Royal Household will continue to monitor its emissions trajectory and develop a pragmatic timeline against which to deliver on its planned emissions reduction initiatives.

The Royal Household also recognises the need to provide leadership and will aim to ensure that its activities support both its decarbonisation journey and that of the UK. External partnerships will be a critical enabler to achieving the planned decarbonisation initiatives.

4. **Building awareness and knowledge**

During the year the senior leadership of the Royal Household has received briefings from the University of Cambridge Institute for Sustainable Leadership, on the challenge of climate change and biodiversity loss and the implications for the Royal Household. Additionally, the leadership has been briefed by EY on the GHG Emissions Protocol and Sustainability Reporting. These sessions aim to enhance understanding of this fast-moving topic to support the leadership as it oversees implementation of the sustainability programme.

5. **Governance**

Governance of the sustainability programme has been strengthened to reflect the strategic importance of sustainability to the Royal Household:

- **Lord Chamberlain's Committee** – provides strategic oversight of the sustainability programme and reviews progress including against the Royal Household's emissions profile (twice annually).
- **Operations Committee** – oversees the implementation of the sustainability plan (monthly) and reviews progress against the Royal Household's emissions profile (quarterly).
- **Audit and Risk Assurance Committee** – the terms of reference have been updated to include oversight of the Sustainability programme and consideration of sustainability risks (annually).

This enhanced governance has replaced the previous Environment & Sustainability Committees. Other working groups remain to support the oversight of the above Committees:

- **Buckingham Palace Reservicing Sustainability Working Group:** to ensure the sustainability enhancement targets for Buckingham Palace Reservicing are tracked and achieved through programme design, works, procurement and operation.
- **Energy and Environment Working Group:** A group to identify and review existing and emerging technologies across property operations that can subsequently be applied to reduce energy use and carbon and to consider sustainability when evaluating building fabric and materials.

ENVIRONMENTAL SUSTAINABILITY: FUTURE DEVELOPMENTS

The Household will continue to develop work relating to the six strategic areas of activity during 2023. Key areas of focus will include:

GHG Emissions

- Develop organisational infrastructure to enhance quality of data and define clear roles and responsibilities for data gathering and analysis.
- Continuing to work with suppliers to increase the opportunities to source sustainable aviation fuel for both helicopters and fixed wing charters.
- Investigate timescales for Scope 3 analysis and reporting.

Roadmap to Net Zero

- Conduct feasibility studies into the proposed decarbonisation initiatives.
- Develop a comprehensive programme roadmap and delivery plan against approved initiatives.

Internal and External Communications

- An internal communications programme will be launched for all staff to enhance knowledge, understanding and to celebrate progress underway.
- Consideration will be given to the production of a separate Carbon Report for the Royal Household.

Building Awareness and Knowledge

- A capability and engagement programme will be developed to ensure a common level of knowledge around sustainability and GHG emissions in particular for all staff.
- Detailed skills enhancement support will be provided for those roles more directly involved in the implementation of the sustainability programme and the reduction of GHG emissions e.g Property, Finance.
- Regular briefing sessions from sustainability experts for members of the Lord Chamberlain's Committee, members of the Audit, Risk and Assurance Committee and the Operations Committee to support the oversight role of the committees.

Building External Partnerships

- Collaborate and build appropriate external partnerships particularly to support the decarbonisation of historic buildings.

The scope of work will also look to expand during 2023-24 to include:

Sustainable Procurement

- Working with suppliers will be vital to support the Royal Household's commitment to embedding environmental sustainability within procurement activities, which will include development of the procurement policy during 2023-24.

Nature and Biodiversity

- While the focus will remain on climate change during the course of the next year, the Royal Household recognises the significant threat of biodiversity loss and the role of Nature based solutions to solve climate change. The Royal Household will therefore continue to consider this important element, review the current approach and

identify relevant actions in the management of our gardens and green spaces across the Occupied Royal Palaces to build on the work already undertaken in this area.

Climate Change Risk

- The Royal Household's Climate Change Risk Assessment will be completed to understand risks of material impact and the actions required to mitigate.

Reporting

- A common template has now been developed to provide consistency in the collection and analysis of data across the Royal Household with regard to carbon emissions reporting. A formal reporting structure will be implemented to enhance the quality and collection of data and establish controls to monitor the emissions profile on an ongoing basis and allow for appropriate action to be taken where necessary. Progress will be overseen by the Operations Committee (quarterly), the Lord Chamberlain's Committee (twice annually) and the Audit and Risk Assurance Committee (annually).

PERFORMANCE REPORT - GOING CONCERN

2022-23 has been an unprecedented year with the passing of Her late Majesty The Queen in September. This resulted in unbudgeted costs and the subsequent transfer of some of Their Majesties' staff into the Royal Household. In addition, 2022-23 continued to see a reduced Facilities Management Charge due from The Royal Collection Trust in comparison with the pre-Covid Facilities Management Charge in 2019-20, as well as a planned programme of works on Buckingham Palace Reservicing which drew down on previously built-up reserves. Consequently, the Royal Household saw a reduction in reserves from £63.6 million to £41.4 million at 31 March 2023.

Increased inflationary pressures and a flat Sovereign Grant will continue to place financial pressure on the Royal Household in 2023-24. While this is expected to be mitigated by the Facilities Management Charge returning to pre-Covid levels in 2023-24, two years earlier than initially anticipated, the funds available for property maintenance are likely to remain at a lower than pre-Covid level until at least 2025-26. This will restrict progress in improving the condition of the Estate and has required a reset of the Buckingham Palace Reservicing Programme, as described on page 12. It is not anticipated that this reset will have an impact on the overall completion of the Programme within the planned timeframe or budget.

After approving the Three-Year Plan 2023-26 and with confirmation from the Royal Trustees of the amount of the Sovereign Grant for 2023-24, as well as the anticipation of at least flat Sovereign Grant beyond that, the Lord Chamberlain's Committee has a reasonable expectation that the Sovereign Grant will provide adequate resources to enable Their Majesties to continue to undertake Their Official Duties for the foreseeable future.

Sir Michael Stevens
Keeper of the Privy Purse
20 June 2023

GOVERNANCE STATEMENT

The governance statement sets out the Royal Household's governance, risk management and internal control arrangements. It explains the composition and organisation of the Royal Household's governance structures and shows how they support the achievement of the Royal Household's objectives. It applies to the financial year 1 April 2022 to 31 March 2023 and up to the date of approval of the Annual Report and Accounts and includes a personal statement by the Accounting Officer, outlining their roles and responsibilities.

GOVERNANCE - LORD CHAMBERLAIN'S COMMITTEE

The Lord Chamberlain's Committee provides leadership to the Royal Household and has overall responsibility for the management of its activities, taking close account of Their Majesties' wishes. It sets strategic plans and priorities, monitors risk and makes sure that they align with the desired performance and culture. The Lord Chamberlain's Committee also ensures that the Royal Household's obligations relating to the Sovereign Grant and to other stakeholders are understood and met. In this way it fulfils its responsibilities to ensure that an effective and modern organisation underpins the work of the Sovereign.

Members of the Lord Chamberlain's Committee have a broad range of experiences relevant to the Royal Household's activities. The Lord Chamberlain's Committee meets formally at least eight times per calendar year. Its members, and the attendance record for the year are set out below:

		Meetings attended
Non-Executive Chair:		
• Lord Chamberlain	The Lord Parker of Minsmere	6/6
Heads of Departments:		
• Principal Private Secretary to The King and The Queen	The Rt. Hon. Sir Clive Alderton (from 9 September 2022, previously Non-Executive member as PPS to The former Prince of Wales and The Duchess of Cornwall)	5/6
• Joint Principal Private Secretary to The King	The Rt Hon. Sir Edward Young (to 31 May 2023)	6/6
• Private Secretary to The Queen	Ms Sophie Densham (from 9 September 2022 previously Non- Executive member as PS to The Duchess of Cornwall)	5/6
• Keeper of the Privy Purse	Sir Michael Stevens	6/6

		Meetings attended
• Master of the Household	Vice Admiral Sir Tony Johnstone-Burt	6/6
• Comptroller, Lord Chamberlain's Office	Lt Col. Michael Vernon	6/6
• Director of the Royal Collection	Mr. Tim Knox	5/6
Non-Executive members:		
• Private Secretary to The Prince of Wales	Mr. Jean-Christophe Gray	6/6
• Private Secretary to The Duchess of Cambridge	Ms Hannah Cockburn-Logie (until July 2022)	2/2
• Interim Private Secretary to The Princess of Wales	Ms Natalie Barrows (since November 2022)	3/4
• Chair of the Audit and Risk Assurance Committee	Ms Sharmila Nebhrajani	6/6
• Independent Member	Ms Carol Hui (since June 2022)	6/6

The Lord Chamberlain's Committee assesses risks and opportunities as part of the annual budget review and in the preparation of longer-term operating plans with reference to the Household objectives and mitigates risks as far as possible.

The Lord Chamberlain's Committee sets its agenda with reference to the Royal Household objectives and strategic risk register.

The department heads are responsible for ensuring that department business plans are aligned with the Household's objectives (see page 7).

The Sovereign Grant management accounts and the minutes of the Sovereign Grant Planning Committee (replaced in autumn 2022 by the Operations Committee and Risk Committee) are considered at each meeting and the Royal Household Risk Register and/or emerging risks are reviewed at each meeting. The robust processes underlying the production of the management accounts and the review of the risk register provide the Lord Chamberlain's Committee with assurance as to the reliability of the financial position and performance in order to inform decisions which may result in variations to the annual operating plan.

The Keeper of the Privy Purse (as Accounting Officer) delegates authority to the executive members of the Lord Chamberlain's Committee (excluding the Director of the Royal Collection), to make decisions and incur expenditure in accordance with internally set delegation limits.

Certain responsibilities are delegated to subsidiary boards and committees with the following remits:

- Sovereign Grant Planning Committee – The Sovereign Grant Planning Committee comprised senior management from key operational and strategic sections of all Royal Household departments and includes representatives from the Royal Collection Trust and The former Prince of Wales's Household, as well as the Household of The Duke and Duchess of Cambridge. The Sovereign Grant Planning Committee met 5 times during 2022-23 (2021-22: 11). The activities of the Sovereign Grant Planning Committee included reviewing the monthly Sovereign Grant management accounts, monitoring risks, monitoring progress on major projects and the allocation of resources to deliver projects on time and on budget, reviewing business cases which have a significant operational impact and require an assessment of the priorities for Sovereign Grant funds and ensuring good internal communications. The Sovereign Grant Planning Committee was chaired by the Deputy Treasurer to The King who reported to each meeting of the Lord Chamberlain's Committee. This Committee was replaced by the Operations Committee and Risk Committee from October 2022.
- Operations Committee – The Operations Committee comprises senior management from key operational and strategic sections of all Royal Household departments and includes representative from the Royal Collection Trust and The Prince and Princess of Wales's Household. The Operations Committee met 7 times during 2022-23. The activities of the Operations Committee include supporting the LCC in developing strategic options for the Royal Household, approving financial and operational plans, policies, procedures, and budgets, ensuring the active liaison and collaboration between different parts of the Royal Household and overseeing the delivery of major projects within the operations portfolio. The Operations Committee is chaired by the Deputy Master – Operations who reports to each meeting of the LCC.
- Risk Committee – The Risk Committee comprises senior management from key operational and strategic sections of all Royal Household departments and includes a representative from The Prince and Princess of Wales's Household. A representative from the Royal Collection Trust is an attendee rather than a member. The Risk Committee met 4 times during 2022-23 after commencing in October 2022. The activities of the Risk Committee include supporting the LCC in the development and ongoing oversight of a new Risk Management System that identifies and classifies risk areas, sets risk appetite, threshold levels and monitors mitigation whilst continually horizon scanning. The Risk Committee is chaired by the Director of Property who reports to each meeting of the Lord Chamberlain's Committee.

- Aviation Safety Review Board – The Royal Household Aviation Safety Review Board meets annually to consider risks assessed by the Aviation Safety Management Committee on Fixed Wing aircraft and Helicopter travel. The Board is chaired by the Head of Royal Travel and comprises senior management from within the Royal Household, including representatives from Health and Safety and, by invitation, the participation of external contractors.
- The Buckingham Palace Reservicing Programme Executive Board (“PEB”) – The PEB met 12 times during 2022-23 (2021-22: 12). It is the principal programme board which oversees the delivery of the Royal Household's Reservicing programme at Buckingham Palace. The PEB is chaired by the Master of the Household who is the Senior Responsible Owner (“SRO”) for the Reservicing programme and who, jointly with the Accounting Officer, is responsible for the delivery of the programme to cost, time and specification. Members of the PEB comprise senior management from within the Household, including a representative from the Royal Collection Trust. Mr Paul Lewis is an independent Non-Executive Director with extensive property project management experience, who also sits on this Board.
- The Buckingham Palace Reservicing Programme Challenge Board (“PCB”) – The PCB meets quarterly (2021-22: quarterly). Its primary responsibility is to provide specialist scrutiny, oversight, advice and guidance to the PEB and the SRO as they work to deliver the Buckingham Palace Reservicing programme. The independent chair of the PCB, Baroness Ford, has experience of managing large property projects. Baroness Ford will be stepping down as Chair of the PCB in Summer 2023 after a six year term and will be succeeded as Chair in September 2023 by Ms Ann Bentley. Ms Ann Bentley is a Non-Executive Director, with many years of experience as a Global Board Director for construction consultancy firm Rider Levett Bucknall. Membership of the PCB includes Mr David Fairbrother, Treasury Officer of Accounts; Dr David Hancock from the Infrastructure and Projects Authority in the Cabinet Office; Mr Stuart Love, Chief Executive of Westminster City Council; Mr Charlie Parker, former Chief Executive of the States of Jersey; Dr Karen Miller, Research Associate in Industrial Sustainability at the University of Cambridge; Mr Paul Lewis, the programme's Non-Executive Director; and Mr Malcolm Reading, an independent heritage buildings consultant, who is also a member of the Royal Household's Audit and Risk Assurance Committee.

The terms of reference for each of the Boards, the Operations Committee and the Risk Committee are reviewed and approved by the Lord Chamberlain's Committee.

This Annual Report is also published on the Royal Household website; the maintenance and integrity of the website is the responsibility of the Lord Chamberlain's Committee.

The Lord Chamberlain's Committee continues to focus on issues and risks which affect the Royal Household. This includes regular review and scrutiny of the Household's management accounts, approval of future budgets and major projects such as the Buckingham Palace Reservicing Programme. Other thematic issues which are often discussed include Energy Management, Cyber-security and Sustainability. The transition following the death of Her late Majesty has been an additional focus of the Lord Chamberlain's Committee. On wider staff matters, the Lord Chamberlain's Committee set direction for, and receives regular updates on the Household's Inclusion and Diversity Strategy.

The Lord Chamberlain's Committee's Performance

The Lord Chamberlain's Committee is committed to undertaking a review of its effectiveness at least every three years. In 2022 a review of the Lord Chamberlain's Committee and Sovereign Grant Planning Committee was undertaken. The outcome was the introduction of a new Operations Committee and a Risk Committee created in place of the Sovereign Grant Planning Committee, which came into effect in October 2022. These two sub-committees support an improved approach to strategic risk oversight and decision making.

GOVERNANCE – AUDIT, RISK AND INTERNAL CONTROLS

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee for the Sovereign Grant is also a sub-committee of the Lord Chamberlain's Committee. It is responsible for assessing the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks and is supported in this role by the internal audit function. The Chair of the Audit and Risk Assurance Committee reports to the Lord Chamberlain's Committee after every meeting and provides an overall annual report on the Audit and Risk Assurance Committee's activities and responsibilities. The Chair attends all meetings of the Lord Chamberlain's Committee as a Non-executive member. In undertaking its responsibilities, the Audit and Risk Assurance Committee considers reports from both internal and external auditors and management and makes recommendations to the Lord Chamberlain's Committee.

Meetings of the Audit and Risk Assurance Committee are attended by the Head of Audit Services, the Keeper of the Privy Purse, the Master of the Household, the Finance Director – Sovereign Grant, the Treasury Officer of Accounts and representatives from the National Audit Office on behalf of the Comptroller and Auditor General, who is the external auditor of the Sovereign Grant. Other senior managers in the Royal Household attend when invited by the Committee.

The Audit and Risk Assurance Committee reviews its terms of reference annually and undertakes a formal evaluation of its own performance every three years. The results of the most recent evaluation were considered in November 2022, recommendations to facilitate the ARAC's oversight of the Royal Household's environmental sustainability programme were proposed, enhancing its ability to assess the organisation's approach to managing ESG risks and ensure appropriate disclosures.

Matters dealt with by the Committee include:

- Review and challenge of the actions and judgement of management in relation to the annual accounts.
- Ensuring robust policies and procedures are in place for assessing and managing fraud, theft and bribery.
- Review of reports from internal and external auditors and management.
- Review of Public Accounts Committee reports as needed.
- Review of the Governance Statement and the effectiveness of the system of internal control.
- Review of management and internal audit reports on the adequacy of arrangements for contracting in the most economical and efficient manner for the supply of all services, consistent with the appropriate safety and security requirements.
- Review of effectiveness of internal and external audit and agreement of audit plans.
- Monitoring management's responsiveness to internal and external audit findings and the recommendations of other external bodies.
- Review of the Royal Household's risk management and assurance processes.
- Review of specific areas to assess and monitor progress in developing and enhancing internal control (e.g. Buckingham Palace Reservicing programme, property maintenance management and data protection).
- Oversight of the Royal Household's Sustainability Programme.

Members of the Audit and Risk Assurance Committee have a broad range of experiences relevant to the Royal Household's activities. The membership of the Committee is set out below with the attendance record for the year:

Audit & Risk Assurance Committee	Meetings attended
Ms Sharmila Nebhrajani (Chair)	4/4
Mr John Coombe (until November 2022)	3/3
Mr Malcolm Reading	3/4
Ms Jacky Wright	4/4
Mr Stephen Oxley (from March 2023)	1/1

Members of the Audit and Risk Assurance Committee receive no remuneration in respect of their duties on the Committee. The Chair of the Audit and Risk Assurance Committee is remunerated for services as a Non-Executive member of the Lord Chamberlain’s Committee.

Specialist risk managers in the Royal Household include the Director of Property, Head of Fire, Health and Safety, Head of Sustainability, Head of Royal Travel, the Director of Security Liaison and the Chief Information Officer, who is responsible for Information Assurance and Cyber Security. These specialists provide advice on the management of risks falling within their areas of responsibility and provide updates to the Risk Committee (previously to the Sovereign Grant Planning Committee), the Lord Chamberlain’s Committee and the Audit and Risk Assurance Committee when required.

GOVERNANCE ACTIVITIES DURING THE YEAR

A programme of internal audit work for the twelve-month period beginning 1 April 2022 was agreed by the Audit and Risk Assurance Committee at its meeting held on 21 March 2022. The Audit and Risk Assurance Committee reviews internal audit reports at each meeting. At the meetings held in November 2022 and March 2023, the Audit and Risk Assurance Committee reviewed progress reports on internal audit work undertaken during the year, containing the scope and findings of internal audit work undertaken compared to the original plan.

The annual report from the Head of Audit Services objectively examined, evaluated and reported on the control environment within the Sovereign Grant and provided an opinion about the adequacy of the systems and processes in place. In particular, reports were received on Leaver’s Process, Information Security Controls and Accounts Receivable.

The Head of Audit Services' annual audit opinion on the overall adequacy and effectiveness of the risk management, control and governance processes is “Moderate” (defined as “Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control”). Where weaknesses were reported, a plan is in place for remediation and progress is closely monitored.

The Royal Household's Treasury Finance Manual sets out the basis for the allocation of costs for services undertaken by Household departments funded by the Sovereign Grant on behalf of The Royal Collection Trust and Other Households. The Audit and Risk Assurance Committee reviewed the Treasury Finance Manual and any changes in cost allocation proposed for 2023-24 in light of the reorganisation of the Royal Household following the death of Her late Majesty, and provided assurance to the Lord Chamberlain's Committee as to the reasonableness of any proposed changes.

Matters considered by the Audit and Risk Assurance Committee to be significant to the 2022-23 financial statements included accruals for Property and Reservicing work, information and systems risk management as well as cyber risk management.

Disclosure Policy

The Royal Household requires that all employees adopt and maintain the highest standards of honesty and integrity, in order to safeguard the people, resources and sensitive information for which they are individually and collectively responsible. Under the provisions of the Public Interest Disclosure Act, the Royal Household has a disclosure procedure in place to enable employees to report any concerns that they may have in respect to qualifying disclosures e.g. concerns relating to suspected fraud, theft, bribery, any other criminal offence, a miscarriage of justice, health and safety at work, or damage to the environment. The Royal Household Disclosure Policy sets out the means by which serious concerns can be appropriately escalated from within the organisation and be brought to the attention of Human Resources, Security Liaison, Audit Services and the Audit and Risk Assurance Committee.

Concern at Work Policy

This policy works alongside the Disclosure Policy outlined above, encouraging all individuals to raise any concerns that they may have about the conduct of others. The Concern at Work Policy sets out the way in which individuals may do this and how those concerns will be dealt with.

The Disclosure and Concern at Work policies are accessible to all staff through the Royal Household's intranet site. Searches of the intranet using terms such as whistleblowing will also direct staff to these policies as well as the anti-fraud policy.

Declaration of Interests and Receipt of Gifts and Hospitality

The Royal Household endorses the Nolan Principles of public life and is active in maintaining high standards of conduct in relation to its employees and officials. The fundamental principle that governs the acceptance of gifts and hospitality by employees of the Royal Household is that no gifts, hospitality or services should be accepted from anyone which would, or would appear to, place an employee under any obligation to the donor.

The Royal Household Guidance for Private Secretaries

Approved by the Lord Chamberlain's Committee in May 2020 and subsequently reviewed in May 2023, this Guidance consolidates and clarifies existing Royal Household guidelines and regulations. Its aim is to serve as a cross-Household reference tool on key working practices and procedures and on the professional and ethical standards expected of all Royal Households who support His Majesty through the performance of Official Duties. The Guidance is reviewed and updated annually by the Lord Chamberlain's Committee.

GOVERNANCE – RISK MANAGEMENT

The Household's Approach to Risk Management

The Performance Report and the Governance Statement lay out in some detail the risks faced by the Royal Household and how they are managed through the relevant expert committees.

During 2022/23 the review of risks moved from the Sovereign Grant Planning Committee to the newly formed Risk Committee reporting directly into the Lord Chamberlain's Committee. From January 2023 the new Risk Committee commenced the development of a new Risk Management System which will be presented to the Lord Chamberlain's Committee for approval in Summer 2023. The existing process of risk management and control as noted below will be retained to ensure continuity of risk identification and control.

These risks are highlighted, summarised and monitored in the Royal Household Risk Register as Strategic and Operational Risks. Strategic Risks relate to the Monarch's role as Head of Nation and Head of State, together with risks regarding compliance with the Sovereign Grant Act. Strategic Risks and critical Operational Risks are reviewed by the Lord Chamberlain's Committee quarterly.

The Sovereign Grant Planning Committee reviewed Operational Risks at each meeting, ensuring that any Operational Risks which became critical over time were highlighted and reported to the Lord Chamberlain's Committee. Since inception during the year, the Risk Committee regularly reviews Operational Risk, including emerging risks. This allows the Lord Chamberlain's Committee and the Audit and Risk Assurance Committee to focus on the most important, top-level risks facing the organisation and in particular the identification of emerging risks.

Each risk owner reviews the departmental risks to assess whether the risk rating remains appropriate, or to add new controls and actions as necessary.

The Lord Chamberlain's Committee confirms that it has carried out a robust assessment of the principal and emerging risks faced by the Royal Household. These are shown below:

Operational Risks

Risk:	Delays or increased costs in completing the projects set out in the 10-year property maintenance plan including the Reservicing of Buckingham Palace due to reduced levels of funding..
Impact:	<p>An increase in the proportion of the Estate below target condition and increased risk of failure of facilities.</p> <p>The Buckingham Palace Reservicing programme is not completed within 10 years, within budget and to specification.</p> <p>The operational risk to the delivery of The King and other members of the Royal Family’s programmes.</p> <p>Limiting public access to Buckingham Palace and the other Occupied Royal Palaces.</p>
Principal mitigations:	<p>Annual review and prioritisation of property maintenance and major project programme.</p> <p>Established project management framework and monthly reviews of all projects by the Property Management Board.</p> <p>Comprehensive and transparent governance by project boards for larger projects including the Reservicing of Buckingham Palace.</p> <p>Regular independent condition assessments for the Estate.</p> <p>Ongoing review of Buckingham Palace Reservicing Programme to deliver programme efficiently to cost, time and specification.</p>
Residual risk rating:	<p>High (2021-22: Medium)</p> <p>The current risk rating is due to the continuation of flat Sovereign Grant in 2023-24.</p>

Financial Risk

Risk:	Funds are not used for the appropriate purpose.
Impact:	Loss of funding for legitimate purposes. Reputational risk with suppliers, Parliament and the public.
Principal mitigations:	Annual budgeting and quarterly reforecasting process. Delegated authority and payment processing controls. Detailed monthly management accounts review process. Adherence to guidance in 'Managing Public Money'. Annual governance review of financial policies. Programme of review by Audit Services. Adherence to the terms set out in the Treasury Finance Manual agreed annually with HM Treasury.
Residual risk rating:	Low (2021-22: Low)

Travel Risks

Risk:	Failure to maintain and operate aircraft utilised by the Royal Household to the highest safety standards.
Impact:	Fatal accident or critical injury of a member of the Royal Family, member of staff or the general public.
Principal mitigations:	Implementation of a robust Air Safety Management System which covers travel by helicopter and fixed wing aircraft. Regular external audit of the Air Safety Management System. Aviation Safety Review Board regularly reviews compliance with the Air Safety Management System.
Residual risk rating:	Low (2021-22: Low)

People Risks

Risk:	The Royal Household's culture, policies, leadership and people practices, fail to provide an inclusive and effective environment where diversity is valued and talented people from all backgrounds thrive, resulting in under performance against the Royal Household's objectives.
Impact:	Inability to provide effective support to The King and other members of the Royal Family and to deliver the Royal Household's objectives.
Principal mitigations:	<p>The Royal Household aims to be a "best in class" inclusive employer openly offering a wide range of employment opportunities, attracting, retaining and developing diverse applicants, appointed on merit.</p> <p>Feedback exercises to assess recruitment, onboarding and employment policies and practices.</p> <p>Management and leadership development programmes promote a positive and inclusive working culture with high levels of staff engagement.</p> <p>Inclusion and Diversity Strategy with the creation of a new Inclusion and Diversity working group and grass roots networks continuing to support initiatives to underpin progress on representation and the creation of an inclusive culture.</p> <p>Inclusion and Diversity training at all levels.</p> <p>Workforce planning, supported by learning and development programmes anticipates and delivers both current and future organisational resourcing needs.</p> <p>Internal communications throughout the employee experience within the Royal Household support the creation of an inclusive culture demonstrating the Employer attributes of Pride in Performance; a Shared and Unique Purpose; a Sense of Guardianship; a Place to Grow; Pushing Things Forward and a Diverse Household.</p>
Residual risk rating:	Medium (2021-22: Medium)

Health and Safety Risks

Risk:	A significant Health and Safety incident or breach results in serious harm to a member of the Royal Family, a member of staff, supplier, tenant or guest/visitor.
Impact:	Injury, reputational damage, penalties and/or legal action against the Household or members of staff.
Principal mitigations:	<p>Comprehensive and regular reporting to the Lord Chamberlain's Committee and the Risk Committee.</p> <p>A structured and regularly reviewed programme of Health and Safety risk assessments, control arrangements, training / awareness and monitoring of compliance.</p> <p>Continuous promotion of a positive Health and Safety culture throughout the Household.</p>
Residual risk rating:	Medium (2021-22: Medium)

Fire Safety Risks

Risk:	A significant fire resulting in serious harm to a member of the Royal Family, a member of staff, supplier, tenant, guest, visitor or member of the emergency services; and/ or significant damage to one of the Occupied Royal Palaces, another property on the Estate and/or their contents. Risk heightened during period of major construction at Buckingham Palace.
Impact:	<p>Injury.</p> <p>Damage to the Occupied Royal Palaces and/or their contents.</p>
Principal mitigations:	<p>A structured and regularly reviewed programme of Fire strategies, risk assessments, control arrangements, training / awareness and monitoring of compliance. External audits and inspections by the Crown Premises Fire Inspection Group.</p> <p>The 10-year property maintenance plan including the Reservicing of Buckingham Palace.</p> <p>Regular and monitored 'out of hours' fire patrols of the Buckingham Palace, enhanced "hot works" permits, gas bottle permits and waste removal are all in place to further reduce the risk of fire during the Reservicing programme. A monthly Fire Prevention Board is attended by the Crown Inspectorate.</p>

Strong engagement with local Fire Brigades, including regular site familiarisation visits by local crews and a programme of on-site Fire Brigade joint exercises. Regular Fire Brigade familiarisation visits continue to occur across the estate.

Comprehensive fire detection and alarm systems across the Estate.

Full-time Fire Safety Teams and 24 hour / 7 day Fire Control Rooms in London and Windsor.

Promotion of a positive Fire Safety culture throughout the Household.

Residual risk rating: High (2021-22: High)

As fire risks are increased during major property refurbishments e.g. Reservicing of Buckingham Palace, the residual risk rating is deemed to be High despite the mitigations in place.

Information Risks

Risk: Unauthorised access to Royal Household data.

Impact: Reputation and financial damage, combined with adverse media attention.

Principal mitigations: In line with the cyber security strategy approved by the Lord Chamberlain's Committee mitigations have been implemented under the NIST Cyber Security Framework. Specific controls are applied based on risk using the Centre for Internet Security controls. The focus during the year has been on enhancing the basic controls to ensure a solid foundation of defence - the Identify, Protect and Respond areas of the NIST framework. The basic controls lay the foundation for the next level of controls that focus on identifying and responding to indicators of compromise.

In tandem, work has commenced on implementing a management system for cyber and information security. The international standard ISO 27001/2 has been chosen to provide management, measurement, and improvement.

Training in information security and data protection is carried out at induction and through regular training updates through the Royal Household's Learning Management System.

At all stages in the lifecycle of information, and the associated technology, promotion of an information assurance awareness culture takes place. To support this culture a network of Data Guardians, and Data Stewards, are in place.

The Royal Household will continue to implement standards that provide management, measurement and improvement.

Residual risk rating: Medium (2021-22: High)

The risk rating is a reflection of the external threat landscape, and the continuing progress on implementing CIS controls.

Physical security risk is not included above as Sovereign Grant expenditure excludes the cost of physical security.

FIRE, HEALTH AND SAFETY

Fire Safety

The Royal Household's fire safety strategy relies on effective fire prevention, early detection, training, regular fire drills, active and passive fire protection methods and risk management.

Automatic fire detection and alarm systems are installed throughout the Estate and are monitored continuously. The systems are maintained under preventative term contracts and are regularly tested.

Fire risk assessments and inspections are undertaken on a regular basis, including using independent consultants, with follow-up assessments and inspections by in-house fire safety officers in accordance with the Fire Regulatory Reform Order. External experts, including the Crown Premises' Fire Safety Inspectors, are also used to undertake independent reviews of fire safety systems.

There are always construction related property projects across the Estate which by their very nature increase the risks of fire. These projects, the most significant of which is the Buckingham Palace Reservicing programme, are subject to their own fire risk assessments and control arrangements. For the Buckingham Palace Reservicing programme there is also a formal monthly Fire Prevention Board, attended by the Crown Premises' Fire Safety Inspectorate and the London Fire Brigade to provide external expertise and guidance.

Good working relationships are maintained with the relevant Fire Brigades covering the Occupied Royal Palaces, with regular reviews and updates of Fire Brigade Tactical Plans, site familiarisation visits for local crews and Fire Brigade exercises conducted on-site – the most recent at Buckingham Palace in March 2022.

Health and Safety

The Royal Household is committed to proactive management of health and safety, including fire safety, and is aware of its responsibilities to employees, visitors, residents and contractors. This includes seeking to adopt best practice in all aspects of health and safety including legal compliance, to create a strong safety culture and avoid accidents and cases of work-related ill health.

Responsibility for health and safety rests with managers and employees, supported by Departmental Safety Coordinators and Safety Representatives, a Property Safety Manager and a central Health and Safety team. The central Health and Safety team provide advice and guidance to managers and staff, to bring continual improvement to safeguarding safety and health in the workplace. This includes the provision of relevant training for all staff, specific to their role.

Proactive consultation with staff is undertaken through regular Health and Safety Committee Meetings.

GOVERNANCE – ACCOUNTING OFFICER’S STATEMENT

Scope of Responsibilities

As Accounting Officer, I have responsibility for maintaining a sound system of governance that supports the achievement of the aims and objectives of the Royal Household in areas funded by the Sovereign Grant, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The role and responsibilities of the Accounting Officer are defined in the Framework Agreement relating to the Sovereign Grant.

The UK Corporate Governance Code (the Code) issued by the Financial Reporting Council is widely acknowledged as representing best practice in governance. Although the Royal Household is not obliged to comply with the requirements of the Code, The Lord Chamberlain's Committee nevertheless supports the principles and provisions set out in the Code and in so far as the Code provisions are applicable to the circumstances of the organisation, the Royal Household complies with the Code where appropriate. Many areas of our governance, however, are governed by The Sovereign Grant Act 2011, HM Treasury guidance or other government guidance.

The Purpose of the System of Governance

The governance framework comprises the policies, systems and processes, culture and standards by which the activities of the Royal Household are directed and controlled. It enables the Royal Household to monitor the achievement of its strategic objectives and consider whether they have been achieved in a cost-effective manner.

Risk management is designed to manage performance and control risk to a reasonable level rather than to eliminate all risk of failure to achieve objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- Identify and prioritise the risks to the achievement of Royal Household aims and objectives.
- Evaluate the likelihood of those risks materialising.
- Assess the impact should they materialise.
- Manage those risks efficiently, effectively and economically.

The governance framework has been in place for the period covered by this report and up to the date of approval of the Annual Report and Accounts and accords with HM Treasury guidance.

Monitoring the effectiveness of Governance and internal control

As Accounting Officer, I have responsibility for ensuring the effectiveness of the governance framework. My review of effectiveness is supported by the work of the internal auditors and the senior managers within the Royal Household who have responsibility for the development and maintenance of the governance framework, the Head of Audit Services' annual report and comments made by the external auditors and other qualified professionals in their management letters and reports. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- There is a Royal Household strategic risk register which has been developed with reference to the Royal Household's objectives. This is regularly reviewed by the Lord Chamberlain's Committee, in order to identify emerging risks or changes in risk assessments. The strategic and operational risk registers are reviewed at each meeting of the Risk Committee (formerly by the Sovereign Grant Planning Committee). The Audit and Risk Assurance Committee reviews the strategic risk register and critical operational risks at each meeting.
- The Audit and Risk Assurance Committee regularly requires Heads of Department and senior managers to present an outline of the activities in their area of responsibility to ensure that key risks are appropriately identified and managed.
- The internal audit function takes a risk-based approach to audits and operates to a plan of work agreed by the Audit and Risk Assurance Committee that is aligned to the risk registers and Royal Household objectives. The findings of reviews are reported to the Audit and Risk Assurance Committee.
- The Audit and Risk Assurance Committee monitors management's progress with the implementation of agreed internal and external audit recommendations, ensuring that management establishes appropriate priorities.
- Assurance on specialist areas such as Digital Services and Physical Security, the Buckingham Palace Reservicing Programme, Property Maintenance statutory compliance and Royal Travel safety are provided by qualified, external professionals and regulatory bodies.
- Ongoing budgetary control is monitored by the production of regular and timely financial management reports.
- The Royal Household's management of the Sovereign Grant is facilitated through bi-monthly meetings with HM Treasury.
- The Lord Chamberlain's Committee and the Audit and Risk Assurance Committee have examined the assurance received from the work of internal audit, reports received by the respective subsidiary boards and committees and other sources in order to provide additional confirmation that risk is being properly managed throughout the Royal Household.

SUMMARY

At the beginning of 2022-23 the Royal Household returned to near pre-Covid levels of activity with 2,710 public engagements undertaken by Members of the Royal Family. Those elements of the revised operating protocols which had been put in place during the Covid-19 pandemic and which had delivered greater efficiency were maintained, including a level of hybrid working.

In the prior year the LCC's review of the Royal Household's governance framework had recommended the establishment of an Operations Committee and a Risk Committee in place of the Sovereign Grant Planning Committee. These two committees were created in the year resulting in greater clarity of responsibility and stronger risk management processes.

The review as detailed above provides assurance as to the effectiveness of the Royal Household's governance structure and I am satisfied that there have been no governance issues identified during the year that are considered significant in relation to the Royal Household's governance framework. The Lord Chamberlain's Committee and I are therefore satisfied that any opportunities for improvement in governance identified as a consequence of the assurance processes detailed above have been addressed or will be actioned to ensure that the Royal Household continues to maintain the highest standards and makes effective use of its resources in achieving its objectives, whilst managing risks in an appropriate manner.

We have considered all our activities during the year and confirm that they are in accordance with the legislation authorising them.

Sir Michael Stevens
Keeper of the Privy Purse
20 June 2023

REMUNERATION AND STAFF REPORT

Executive Remuneration

The salaries of the Lord Chamberlain's Committee are set with reference to Senior Civil Service pay scales.

All Executive members of the Lord Chamberlain's Committee are appointed on permanent contracts and have notice periods of three months. The Lord Chamberlain's contract is fixed term, and is a part time role. There are no specific provisions for termination payments.

Total remuneration, excluding any compensation payments, for Executive members of the Lord Chamberlain's Committee who are paid from official expenditure (before the deduction of abatements and other charges in respect of housing), is shown below:

	Total Remuneration		Salary		Pension Payments (to nearest £'000)	
	2023	2022	2023	2022	2023	2022
Year to 31 March (audited) £'000						
The Lord Parker of Minsmere <i>Full time equivalent salary</i>	160-165	130-135	135-140 195-200	110-115 190-195	21	18
The Rt. Hon. Sir Clive Alderton (from 9 September 2022, previously Non-Executive member) <i>Full time equivalent salary</i>	145-150	-	115-120 205-210	- -	31	-
The Rt Hon. Sir Edward Young	230-235	215-220	200-205	190-195	30	29
Ms Sophie Densham (from 9 September 2022, previously Non-Executive member) <i>Full time equivalent salary</i>	40-45	-	35-40 90-95	- -	7	-
Sir Michael Stevens <i>Full time equivalent salary</i>	160-165	160-165	125-130 215-220	125-130 210-215	34	33
Vice Admiral Sir Tony Johnstone-Burt	180-185	170-175	155-160	145-150	24	22
Lt Col. Michael Vernon	115-120	110-115	100-105	95-100	15	14

Benefits-in-kind were paid in year to the sum of £500 and £400 to Rt. Hon. Sir Clive Alderton and Ms Sophie Densham respectively. There were no benefits in kind paid in 2021-22.

The Rt. Hon. Sir Clive Alderton is on secondment from the Foreign, Commonwealth and Development Office (“FCDO”), the remuneration disclosed here includes the accrued FCDO salary and pension contributions which are reimbursed by the Sovereign Grant.

Sir Michael Stevens’ full time equivalent salary includes his remuneration for duties to the Privy Purse, which is not paid for by the Sovereign Grant.

As part of centrally provided risk benefit cover for employees within the defined contribution pension scheme, up to 1.09% of pensionable salary is contributed for death-in-service and income replacement schemes. Vice Admiral Sir Tony Johnstone-Burt and Rt. Hon. Sir Clive Alderton were provided with housing for the better performance of their duties with rent deducted from their salaries at a rate agreed with HM Treasury.

The Rt Hon. Sir Edward Young left the Royal Household on 15 May 2023 and received a compensation payment of £145,000-£150,000, which was accrued in these accounts at 31 March 2023.

All pension payments relate to the defined contribution scheme or are payments in lieu of pension.

Mr Tim Knox, Director of the Royal Collection, is not included in the above table because he was paid by the Royal Collection Trust and his remuneration is disclosed in the annual report published by the Royal Collection Trust.

The Lord Parker of Minsmere, The Rt Hon. Sir Clive Alderton, Sir Edward Young (until 1 December 2022), Sir Michael Stevens and Vice Admiral Sir Tony Johnstone-Burt are trustees of the Royal Collection Trust, but do not receive any remuneration for their services. Sir Michael Stevens and Mr Tim Knox are also trustees for Historic Royal Palaces. Sir Michael Stevens is a Council Member of the Duchy of Lancaster and Sir Clive Alderton was a Council Member of the Duchy of Cornwall (until 8 September 2022).

The Chair of the Audit and Risk Assurance Committee is a Non-Executive member of the Lord Chamberlain’s Committee and is remunerated for attendance at its meetings (2022-23: Ms Sharmila Nebhrajani £5,000-£10,000; 2021-22: Ms Sharmila Nebhrajani £0-£5,000, Mr John Coombe £5,000-£10,000).

Ms Carol Hui is a Non-Executive member of the Lord Chamberlain’s Committee, since June 2022, and is remunerated for attendance at meetings (2022-23: £5,000-£10,000; 2021-22: £nil).

Fair Pay Disclosure (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's staff.

The relationship between the remuneration of the highest paid Lord Chamberlain's Committee member and the median remuneration of the rest of the staff is set out below. The banded remuneration of the highest-paid director in the financial year 2022-23 was £215,000-£220,000 (2021-22: £210,000-£215,000). The median remuneration is the total remuneration of the staff member lying in the middle of the linear distribution of the total staff, excluding the highest paid Lord Chamberlain's Committee member. Total remuneration includes salary, based on annualised, full-time equivalent remuneration as at 31 March and benefits-in-kind. It excludes pension contributions and any severance payments. There were no bonuses paid in 2022-23 or 2021-22.

	Lower quartile		Median		Upper quartile	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Salary	24,856	23,250	31,247	29,000	43,550	40,000
Pay ratio	8.8	9.1	7.0	7.3	5.0	5.3
Total remuneration	24,856	23,595	31,303	29,500	44,117	40,498
Pay ratio	8.8	9.0	6.9	7.2	4.9	5.2

The year-on-year reduction in all three ratios is attributable to the change in pay and benefits of the entity taken as a whole. Average staff remuneration increased as a result of the increased headcount from transition and previous vacancies being filled, as well as a cost of living uplift for staff in lower grades. Excluding the increase in staff numbers the median pay ratios are consistent with the pay policy.

In 2022-23 no member of staff received remuneration in excess of the highest paid Lord Chamberlain's Committee member (2021-22: nil). Remuneration (FTE) ranged from £19,909 to £215,000-£220,000 (2021-22: £18,980 to £210,000-£215,000).

For all staff paid for in whole or in part by the Sovereign Grant:

As at 31 March (audited)	2023	2022
Sovereign Grant remuneration increase/(decrease) from previous financial year:		
Highest paid LCC member	2.5%	0.0%
Average of all staff, excluding the highest paid LCC member (FTE)	5.3%	2.9%

Staff Report

The Royal Household's employment policies and practices support the delivery of its objectives and the creation of a workplace which promotes pride in work, teamwork, inclusivity, trust and collaboration within a workforce drawn from all sections of society.

The experience of working for the Royal Household has six elements: "A Shared and Unique Purpose", "A Sense of Guardianship", "Pride in Performance", "Pushing things forward", "A Diverse Household" and "A Place to Grow".

Employees are encouraged to develop new skills and to continuously grow and progress their careers. Apprenticeships are encouraged and supported. Talent is recognised and project work and cross Department projects, such as the Buckingham Palace Reservicing programme, have created opportunities for new skills to be deployed and developed. Focus groups, "team spaces" on the Household intranet, staff consultation sessions and bi-annual as well as smaller, faster pulse surveys also encourage innovation and ideas to be contributed. Managers are expected to seek feedback from their teams and involve them in decision making. A culture of inclusivity, feedback and recognition is developing, with informal and formal recognition schemes, alongside more interactive communications made possible by the intranet.

Alongside management support, social activities and wellbeing programmes are recognised as having a key part to play in creating a healthy and engaged workforce. Counselling and support are provided through the Household's long-established employee assistance programme and staff have been trained to be Mental Health First Aiders, as well as provide the statutory first aid required by Health and Safety legislation. Managers are trained to support, mentor and coach their teams and monitor their contribution, evaluating their team's progress through the use of an online Performance Management system. Inclusion and Diversity are valued, all appointments and promotions are on merit, with active consideration given to applicants with disabilities and support to employees who become disabled to ensure their development and career progression continues. Family Friendly policies, including enhanced paid maternity, parental and shared parental leave as well as fully flexible working enabled by digital workplace technologies support work life balance and more agile working arrangements.

Staff numbers and costs

Further details of Staff numbers and an analysis of Staff costs can be found in Note 4 on page 99.

<i>Year to 31 March (audited)</i>	2023	2022	2023	2022	2023	2022
	Permanent		Fixed term contract		Total	
Average number of Full Time Equivalent (FTE) staff paid from the Sovereign Grant	498	476	19	15	517	491

£'000	2023	2022
Cost of FTE staff	26.9	23.7
External consultancy spend	2.2	0.7
Agency staff costs (mostly related to Reservicing)	3.0	2.8

Payroll costs have increased in 2022-23 after two years of pay freeze and reduced headcount as vacancies were left unfilled to help manage costs. During 2022-23, headcount levels returned in line with pre-Covid levels in 2019-20 as activities also increased.

External consultancy spend has increased due to the Digital Services, Carbon Emissions baselining and specialist procurement undertaken during the year (see the Performance Report).

There were 16 exit packages for agreed departures in the year (2021-22: 7) split as follows (paid for by the Sovereign Grant and excluding any element paid for by any other sources of funding):

	No. Compulsory redundancies	No. other departures agreed	Total number of exit packages
Audited	2022-23 (2021-22)	2022-23 (2021-22)	2022-23 (2021-22)
< £10,000	4 (1)	- (-)	4 (1)
£10,001 to £25,000	5 (1)	1 (-)	6 (1)
£25,001 to £50,000	4 (4)	1 (-)	5 (4)
£50,001 to £75,000	- (1)	- (-)	- (1)
> £75,000	1 (-)	- (-)	1 (-)
Total no. of exit packages	14 (7)	2 (-)	16 (7)
Expenditure on exit packages (£'000)			444 (244)

For all staff paid for in whole or in part by the Sovereign Grant:

<i>As at 31 March (unaudited)</i>	2023	2022	2023	2022	2023	2022
	Men		Women		Total	
Equivalent to Senior Civil Service grades, including members of the Lord Chamberlain's Committee	29	25	16	11	45	36
	64%	69%	36%	31%	100%	100%
Other grades	262	248	288	279	550	527
	48%	47%	52%	53%	100%	100%
Total number of FTE staff	291	273	304	290	595	563
	49%	48%	51%	52%	100%	100%
Membership of The Lord Chamberlain's Committee	8	8	4	3	12	11
	67%	73%	33%	27%	100%	100%
Membership of the Sovereign Grant Planning Committee	-	6	-	9	-	15
	-	40%	-	60%	-	100%
Membership of the Operations Committee	5	-	7	-	12	-
	42%	-	58%	-	100%	-
Membership of the Risk Committee	4	-	5	-	9	-
	44%	-	56%	-	100%	-
Membership of the Audit & Risk Assurance Committee	2	2	2	2	4	4
	50%	50%	50%	50%	100%	100%
Average number of days of employee absence due to sickness					6.1	5.4

The mean gender pay gap for the Royal Household (excluding staff employed by Royal Collection Enterprises Limited) at 5 April 2022 is 5.71% (8.57% April 2021). The mean national gender pay gap in 2022 is 14.9%.

Proportion of ethnic minority employees (*unaudited*)

<i>As at</i>	31 March 2023	31 March 2022	31 December 2021	
Proportion of Ethnic Minority Employees				
Overall				
including NED members of the Lord Chamberlain's Committee	9.7%	9.7%	8.5%	2025 target is 14%.
Proportion of Ethnic Minority Employees				
Senior Roles				
including NED members of the Lord Chamberlain's Committee	12.2%			

Sir Michael Stevens
Keeper of the Privy Purse
20 June 2023

STATEMENT OF THE KEEPER OF THE PRIVY PURSE'S FINANCIAL RESPONSIBILITIES

The Keeper of the Privy Purse is responsible for ensuring that:

- The administration of the Sovereign Grant fully accords with the accounts direction given by HM Treasury in accordance with the Framework Agreement between the Royal Household and HM Treasury;
- The Sovereign Grant is applied only for the purposes set out in the Framework Agreement between the Royal Household and HM Treasury; and
- The administration of the Sovereign Grant fully accords with *Managing Public Money* and other guidance that may be notified to the Royal Household by HM Treasury.

The Keeper of the Privy Purse is required to submit this Annual report to the Lord Chamberlain and the Treasury Officer of Accounts and is responsible for ensuring that the Sovereign Grant Annual Report and Accounts are prepared on an accruals basis and give a true and fair view of the state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

The Keeper of the Privy Purse is also responsible for ensuring that:

- The Royal Household maintains the books and records which are proper and necessary to enable it to discharge its responsibility, as set out in the Framework Agreement, for income and expenditure;
- The Sovereign Grant is used economically, efficiently and effectively to secure good value for money, in accordance with propriety and regularity;
- Staff paid from the Sovereign Grant take financial considerations fully into account at all stages in framing, reaching and executing decisions in so far as the Sovereign Grant is concerned; and
- Proper, effective and timely follow-up action is taken to all internal and external audit reports.

The Keeper of the Privy Purse is also responsible for safeguarding the assets acquired from Sovereign Grant funds and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The Keeper of the Privy Purse confirms that, so far as he is aware, there is no relevant audit information of which the Sovereign Grant auditors are unaware; and he has taken all the steps that he ought to have taken as Keeper of the Privy Purse to make himself aware of any relevant audit information and to establish that the Sovereign Grant auditors are aware of that information.

The Keeper of the Privy Purse confirms that this Annual Report and Accounts as a whole is fair, balanced and understandable and provides the information necessary for assessing the Sovereign Grant's position, performance, business model and strategy. The Keeper of the Privy Purse takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Sir Michael Stevens
Keeper of the Privy Purse
20 June 2023

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF PARLIAMENT AND THE ROYAL TRUSTEES

Opinion on financial statements

I certify that I have audited the financial statements of the Royal Household in respect of the Sovereign Grant and Sovereign Grant Reserve for the year ended 31 March 2023 under the Sovereign Grant Act 2011. The financial statements comprise the:

- Statement of Financial Position as at 31 March 2023;
- Statement of Income and Expenditure, Statement of Comprehensive Income and Expenditure, Statement of Cash Flows and Statement of Changes in Reserves for the year then ended;
- Royal Trustees' statement in respect of the Sovereign Grant Reserve presented under section 4 of the Sovereign Grant Act 2011; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion:

- the financial statements give a true and fair view of the state of the Royal Household's affairs in respect of the Sovereign Grant and Sovereign Grant Reserve as at 31 March 2023 and its total net expenditure for the year then ended;
- the statement of accounts of the Royal Household in respect of the Sovereign Grant has been properly prepared in accordance with Section 2 of the Sovereign Grant Act 2011 and HM Treasury directions issued thereunder; and
- the statement of accounts of the Sovereign Grant Reserve has been properly prepared in accordance with Section 4 of the Sovereign Grant Act 2011 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure 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.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council’s *Revised Ethical Standard 2019*. I am independent of the Royal Household in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

<i>Framework of authorities</i>	
<i>Authorising legislation</i>	<i>The Sovereign Grant Act 2011</i>
<i>HM Treasury and related authorities</i>	<i>Managing Public Money</i> Framework Agreement between the Royal Household and HM Treasury relating to the Sovereign Grant

Conclusions relating to going concern

In auditing the financial statements in respect of the Sovereign Grant and the Sovereign Grant Reserve, I have concluded that the Royal Household’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the Lord Chamberlain’s Committee’s assessment of the continued appropriateness of adopting the going concern basis of accounting included obtaining sufficient audit evidence to conclude that:

- The going concern basis of accounting for the Sovereign Grant and Sovereign Grant Reserve is adopted in consideration of the requirements set out in HM Treasury’s Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future; and
- The Lord Chamberlain’s Committee’s assessment of the going concern basis of accounting and the resources available to enable The King to continue to undertake His Official Duties, is appropriate in the circumstances.

I make no observations with respect to that assessment.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Sovereign Grant and Sovereign Grant Reserve's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Royal Household's reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the statements in the Annual Report and financial statements about whether the Lord Chamberlain's Committee considered it appropriate to adopt the going concern basis of accounting.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the financial statements of the Royal Household in respect of the Sovereign Grant and the Sovereign Grant Reserve is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

I have determined that there are no other key audit matters to communicate in my certificate and report.

I consider the key audit matters below to be those matters that had the greatest effect on my overall audit strategy, the allocation of resources in my audit and directing the efforts of the audit team in the current year. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed significant risk of material misstatement arising from fraud in revenue recognition or the presumed risk of material misstatement due to fraud through management override of controls, where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Assurance Committee; their report on matters that they considered to be significant to the financial statements is set out on page 41.

In this year's report the following changes to the key audit matters identified have been made, compared to my prior year report:

- new key audit matters are described below relating to the change of Reign and the implementation of IFRS 16 *Leases* as adapted by HM Treasury's Financial Reporting Manual, activities which occurred during the 2022-23 financial year;
- a new key audit matter is described below relating to the disclosure of financial and capital commitments. I have identified this as a result of my revised risk assessment under ISA (UK) 315 (revised) *Identifying and Assessing the Risks of Material Misstatement* which is effective for audits of financial statements for periods beginning on or after December 15, 2021;
- the migration of the financial reporting system to the Cloud is no longer a key audit matter as this completed in the prior financial year; and
- accounting for the annual works programme is not identified as a key audit matter reflecting the lower level of activity on this area during 2022-23.

Buckingham Palace Reservicing Programme	
<p>Description of risk</p> <p>The aim of the Reservicing programme is to replace the cabling, plumbing and heating in Buckingham Palace as well as to improve the use of the Palace to ensure the building is protected for future generations and accessibility is improved. It is funded by an uplift of the Sovereign Grant for ten years, which commenced in 2017-18. This year the total Sovereign Grant was £86.3 million (£86.3 million in 2021-22), of which £34.5 million was for Reservicing (£34.5 million in 2021-22).</p> <p>This is a high-profile and large-scale programme and I consider that the risk of material misstatement for the financial statements is particularly focussed on the year-end accruals and related expenditure, which involve management judgement in relation to the estimated stage of completion of works at the reporting date.</p>	
<p>How the scope of my audit responded to the risk</p>	<p>My audit has placed particular focus on:</p> <ul style="list-style-type: none"> • whether the transactions relating to the Reservicing programme have been recorded in the correct financial year;

- the completeness and existence of year-end accruals;
- the valuation of year-end accruals which involve management judgement; and
- the auditor's objective under ISA (UK) 540 to conclude whether an estimate is reasonable and adequately disclosed in the context of the financial reporting framework in respect of the stage of completion of works.

I have inspected the design and implementation of the Royal Household's controls relating to the valuation of Reservicing programme accruals as at 31 March 2023. Based on the findings of my work, I am satisfied that these controls were working effectively and I have relied on them to gain my assurance.

I have documented and assessed the use of experts by management in forming judgements as to the stage of completion of works, including calculation of any associated accruals as at the reporting date. As part of this work, I have obtained evidence confirming that the experts used are appropriately qualified, have sufficient capability and competence to perform this work to a sufficient standard and follow an appropriate methodology.

I have undertaken a sample test of project expenditure throughout the year to ensure that this was accounted for appropriately. I have performed an assessment of the completeness of expenditure and have performed substantive testing to gain assurance that expenditure has been allocated to the correct financial year.

I have undertaken a sample test of trade payables and prepayments as at 31 March 2023 and have agreed these balances to sufficient and appropriate evidence.

I have performed a risk assessment on the Reservicing programme accruals population and tested a sample of accruals to confirm these are appropriate and supported by evidence. I have also undertaken procedures to assess the completeness of accruals relating to the Reservicing programme as at 31 March 2023.

Key observations

I have concluded that no material error exists and I am content that the Reservicing programme is appropriately recognised and disclosed within the 2022-23 financial statements.

Royal Household Group Pension Scheme

Description of risk

The Sovereign Grant has a £0.5 million net pension asset (£1.3 million asset in 2021-22) in relation to its participation in the Royal Households Group Pension Scheme. This is comprised of gross pension assets of £27.5 million (£38.3 million in 2021-22) and a scheme liability of £27.0 million (£37.0 million in 2021-22).

The scheme liability is a significant estimate where small changes in the underlying assumptions can lead to considerable changes in the value of the liability. The assumptions impacting the valuation of the liability include discount rates, rate of price inflation, future pension increments and life expectancy.

In response, I recognised a significant risk of misstatement with respect to the pension estimate.

How the scope of my audit responded to the risk

I have inspected the design and implementation of the Royal Household's controls with respect to the valuation of the net pension asset and confirmed that these are designed appropriately and are adequately implemented.

I have tested the assets and liabilities of the pension scheme attributable to Sovereign Grant and the Sovereign Grant Reserve. This included testing, using my actuarial experts, the financial and demographic assumptions used in the liability valuation by benchmarking them against relevant comparator organisations and industry standards, as well as testing the classification, rights and obligations and data inputs of the pension scheme liability. I have considered the completeness of the net pension asset, special events and fund assets.

I have documented and assessed the use of experts by management in arriving at the valuation of the net pension asset as at the reporting date. As part of this work, I have obtained evidence confirming that the experts used are appropriately qualified, have sufficient capability and competence to perform this work to a sufficient standard and follow an appropriate methodology. I have confirmed that management's experts have used assumptions that fall within industry standard ranges.

	<p>I have also assessed the governance arrangements between the employer and the scheme administrator, including gaining an understanding of the process in place for setting assumptions in year and the actuarial roll-forward methodology used by the actuary. I have used actuarial experts to support my review of the selection and application of the methods used and to challenge the appropriateness of assumptions adopted by management to confirm that this estimate is reasonable and has been adequately disclosed within the financial statements.</p> <p>I have agreed the valuation of the Scheme assets to returns provided by the Investment Managers and have confirmed the robustness of these valuations through my own independent review of asset pricing. I have considered whether the notional asset share determined at the date of the last triennial valuation remains appropriate.</p> <p>I have considered whether it is appropriate for management to recognise a net pension asset and the application of IFRIC Interpretation 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”. I have also confirmed the appropriate disclosures are in place, including those explaining the level of estimation uncertainty within this estimate.</p> <p>Key observations</p> <p>I did not identify any errors in relation to the defined benefit pension scheme and I am content that the net pension asset as at 31 March 2023, and related movements during the year, have been appropriately recognised within the financial statements. I am content that the disclosures in this area, including in relation to estimation uncertainty, are appropriate.</p>
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Implementing IFRS 16 *Leases*

Description of risk

At 1 April 2022 the Royal Household implemented IFRS 16 *Leases*, as adapted by HM Treasury's Financial Reporting Manual, in respect of the Sovereign Grant and Sovereign Grant Reserve. IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low value or short term leases on the Statement of Financial Position. On implementation of IFRS 16, leases for a number of travel assets, including in respect of storage of the Royal Train have been recognised as right of use assets with associated lease liabilities.

I considered that there is a risk of material misstatement relating to the transitional judgements applied by management, valuation and completeness of items on transition to IFRS 16 and also a risk of incomplete or inappropriate disclosures in relation to the impact of the transition.

I also identified a significant risk with respect to the assumptions used in the subsequent measurement of lease liabilities recognised within the financial statements.

The change in accounting policies arising from implementation of IFRS 16 has had a material impact on the financial statements and disclosures within the 2022-23 financial statements. As at 31 March 2023 there is a right of use asset of £1.9 million, with associated lease liabilities of £1.9 million and depreciation expenditure charged in the Statement of Income and Expenditure of £0.9 million.

How the scope of my audit responded to the risk

I have inspected the design and implementation of controls over implementing IFRS 16. I have confirmed that these are designed appropriately and are adequately implemented.

I have assessed the completeness of the lease population to be transitioned for IFRS 16 and have assessed whether the IFRS 16 opening balance valuation of the lease liability and right of use asset is appropriate. I have confirmed that the lease register I audited in the prior year has been accurately incorporated into the right of use asset and lease liability model.

I have also considered the transitional assumptions and judgements applied by management to confirm that these are appropriate. This has included confirming that the practical expedients mandated by HM Treasury's Financial Reporting Manual on implementation of IFRS 16 have been applied and seeking evidence of management's plans and decision making in respect of the term of key leases.

	<p>I have recalculated the opening balance of the lease liabilities and right of use assets as at 1 April 2022 and compared it to management's valuation. I have also assessed whether the closing balance of the right of use assets and lease liability as at March 2023, and related in-year transactions, are accurate and in line with IFRS 16. I performed work, on a sample basis, to confirm that the method, data and assumptions used by management are appropriate, supported by evidence and have been applied correctly.</p> <p>I have undertaken completeness procedures to ensure that the right of use assets and lease liabilities as at 31 March 2023 are complete. This has included consideration of new leases entered into during the year as well as any leases identified through my testing of expenditure and of non-current asset additions. I have also confirmed the appropriateness of any leases derecognised in year to supporting evidence.</p> <p>I have reviewed the accounting policy, transition disclosures and other disclosures related to IFRS 16 and leasing arrangements to ensure that they are complete, accurate and understandable. The revised accounting policy in respect of leases is at Note 1.</p> <p>I have also considered management's disclosures in relation to key judgements and estimation uncertainty. This included consideration of the extent of estimation uncertainty within the model used to calculate the IFRS 16 balances.</p> <p>Key observations</p> <p>I have concluded that no material error exists and I am content that the transactions and balances associated with implementing IFRS 16 are appropriately recognised and disclosed within the financial statements.</p>
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Financial and capital commitments	
<p>Description of risk</p> <p>The Sovereign Grant financial statements disclose material capital and other financial commitments in respect of the Buckingham Palace Reservicing Programme (£58.4 million, 2021-22: £77.7 million) and Core Sovereign Grant activities (£83.6 million, 2021-22: £20.8 million). There is public interest in the Buckingham Palace Reservicing Programme and in turn the reported reservicing commitments figure. I considered there was a risk that the disclosed commitments are inaccurate or do not represent valid commitments at the period end.</p>	
<p>How the scope of my audit responded to the risk</p>	<p>I have inspected the design and implementation of controls over the disclosure of amounts in respect of financial and capital commitments. I have not relied on these controls.</p> <p>I have performed a substantive test of detail for financial and capital commitments and confirmed each of the commitments to sufficient and appropriate evidence. I confirmed whether the commitment was authorised or contracted, the value of the commitment and whether the allocation of committed expenditure over time had been determined and disclosed appropriately.</p> <p>I also performed procedures to confirm that the listing of identified capital and financial commitments is materially complete.</p> <p>Key observations</p> <p>I have concluded that no material error exists and I am content that the financial and capital commitments disclosure is materially accurate.</p>

Costs in relation to the change of Reign

Description of risk

Following the passing of Her Late Majesty Queen Elizabeth II, the Royal Household has been undertaking operations to manage the end of Reign and the accession of King Charles III.

Managing the transition to a new Monarch has had a range of impacts across the Royal Household's activities. For example, there have been redundancies as well as transfers of staff into the Royal Household from the Household of the former Prince of Wales. Some of these transfers are to areas funded by the Sovereign Grant as they relate to activities that support the King in the performance of his official duties. This has resulted in changes to the relative headcount across different Households and departments and has implications for the level of recharge income for the Sovereign Grant as a result.

Whilst I did not identify a risk of material misstatement, I considered that assessing the impact of the change in reign on the Sovereign Grant financial statements and disclosures is a key audit matter.

How the scope of my audit responded to the risk

I have confirmed that the Sovereign Grant Act 2011 (Duration of the Sovereign Grant Provisions) Order 2022 made on 10 September 2022 provided that the Sovereign Grant provisions will continue and expire 6 months after the end of the present reign of King Charles III. The framework of authorities for the Sovereign Grant therefore remains in force.

I have substantively tested end of Reign expenditure to assess whether costs have been dealt with appropriately and are supported by sufficient and appropriate evidence.

I have agreed amounts recorded as recharge income for the Sovereign Grant to underlying expenditure, recharge agreements and other supporting documentation, including the Royal Household *Treasury Finance Manual* as appropriate. Where the Sovereign Grant is recharged by other households, my expenditure substantive testing has confirmed that these costs are within the remit of the Sovereign Grant and are supported by sufficient and appropriate evidence.

	<p>I have substantively tested redundancies and exit packages and have considered whether these are in line with the framework of authorities relating to the Sovereign Grant and that relevant approvals have been obtained where required. I have substantively tested amendments to payroll and have agreed that these are supported by sufficient and appropriate underlying evidence.</p> <p>I have reviewed the disclosure within the annual report and accounts in relation to this area to confirm that the disclosures made are consistent with my knowledge and the audit work I have performed.</p> <p>Key observations</p> <p>I have concluded that no material error exists and I am content that the transactions, balances and disclosures associated with the change in Reign and the accession of King Charles III included within the financial statements are materially accurate. I have nothing to report in respect of the other information included on the change in Reign within the Annual Report.</p>
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Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the financial statements as a whole as follows:

	Sovereign Grant and Sovereign Grant Reserve
Materiality	£863,000
Basis for determining materiality	1% of the 2022-23 Sovereign Grant funding of £86.3 million (2021-22: 1% of the 2021-22 Sovereign Grant funding of £86.3 million)
Rationale for the benchmark applied	I consider it to be the area of principal interest for users as it represents the level of funding provided to the Sovereign Grant.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality of the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2022-23 audit (2021-22: 69%). In determining performance materiality, I have considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing my audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Assurance Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £9,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Assurance Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Assurance Committee would have decreased net expenditure and net assets by £4,000.

Audit scope

The scope of my audit was determined by obtaining an understanding of the Royal Household and its environment, including entity wide controls and assessing the risks of material misstatement in so far as this relates to the Sovereign Grant and Sovereign Grant Reserve.

Other Information

The other information comprises information included in the Annual Report but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Sovereign Grant Act 2011.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Sovereign Grant Act 2011;
- the information given in the Performance Report, the Accountability Report and the Appendices for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Royal Household, Sovereign Grant and the Sovereign Grant Reserve and their environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report, the Accountability Report or the Appendices to the financial statements.

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 by the Keeper of the Privy Purse and the Royal Trustees or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or

- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Corporate governance statement

The Listing Rules require me to review the Lord Chamberlain's Committee's statement in relation to going concern, longer-term viability and that part of the Governance Statement relating to the Royal Household's compliance with the provisions of the UK Corporate Governance Statement specified for my review, with respect to the Sovereign Grant and the Sovereign Grant Reserve.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Performance Report and Accountability Report is materially consistent with the financial statements or my knowledge obtained during the audit:

- the Lord Chamberlain's Committee's statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 33;
- the Lord Chamberlain's Committee's explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 33;
- the Keeper of the Privy Purse's statement on fair, balanced understandable set out on page 61;
- the confirmation from the Lord Chamberlain's Committee and Keeper of the Privy Purse that a robust assessment of the emerging and principal risks has been carried out as set out on page 42;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 51; and
- the section describing the work of the Audit and Risk Assurance Committee set out on pages 38 to 41.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of the Keeper of the Privy Purse's Financial Responsibilities, the Keeper of the Privy Purse as Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Royal Household from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Sovereign Grant Act 2011;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Sovereign Grant Act 2011; and
- assessing the Sovereign Grant and Sovereign Grant Reserve's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Keeper of the Privy Purse anticipates that the services provided by the Sovereign Grant and Sovereign Grant Reserve will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Sovereign Grant Act 2011.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Sovereign Grant and Sovereign Grant Reserve's accounting policies.
- inquired of management, the Head of Audit Services and those charged with governance, including obtaining and reviewing supporting documentation relating to the Royal Household's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Royal Household's controls relating to compliance with the Sovereign Grant Act 2011, Managing Public Money and the Framework Agreement between the Royal Household and HM Treasury relating to the Sovereign Grant;
- inquired of management, the Head of Audit Services and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Royal Household for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and transactions which are unusual or outside the normal course of business. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Royal Household's framework of authority in respect of the Sovereign Grant and Sovereign Grant Reserve and other legal and regulatory frameworks in which the Royal Household operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations funded by the Sovereign Grant and Sovereign Grant Reserve. The key laws and regulations I considered in this context included the Sovereign Grant Act 2011, Managing Public Money, the Framework Agreement between the Royal Household and HM Treasury relating to the Sovereign Grant, employment law and tax, health and safety and pension legislation.

In addition, I used analytical procedures to identify any unusual or unexpected relationships and transactions.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Assurance Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Lord Chamberlain's Committee and internal audit reports issued by the Head of Audit Services;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of potential bias, including the defined benefit pensions liability and accruals for Buckingham Palace Reservicing and the Annual Works Programme; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business;
- in addressing the risk of fraud in revenue recognition, I have verified that recharged income and the Facilities Management Charge has been calculated appropriately to address the risk of error and management bias within both of these areas; and
- confirmed that the Sovereign Grant received in 2022-23 had been calculated correctly in accordance with the Sovereign Grant Act 2011.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9S

21 June 2023

FINANCIAL STATEMENTS

STATEMENT OF INCOME AND EXPENDITURE

<i>Year to 31 March</i>	Note	Core £m	Reservicing £m	2023 £m	2022 £m
Funding receivable¹:					
Grant		<u>51.8</u>	<u>34.5</u>	<u>86.3</u>	<u>86.3</u>
Income					
Property rental income		3.6	-	3.6	3.3
Facilities management charges		0.5	-	0.5	0.4
Recharges and other income		5.7	-	5.7	6.2
		<u>9.8</u>	<u>-</u>	<u>9.8</u>	<u>9.9</u>
Expenditure					
Payroll costs	4	(25.2)	(1.9)	(27.1)	(23.7)
Other staff costs	4	(3.1)	(1.9)	(5.0)	(3.8)
Property maintenance		(14.8)	(43.0)	(57.8)	(63.9)
Travel		(3.9)	-	(3.9)	(4.5)
Utilities		(4.5)	-	(4.5)	(3.2)
Housekeeping and hospitality		(2.4)	-	(2.4)	(1.3)
Digital services		(3.6)	(0.4)	(4.0)	(3.2)
Depreciation & amortisation	6,7,8	(2.9)	(1.4)	(4.3)	(3.4)
Other expenditure	3	(7.9)	(0.4)	(8.3)	(5.3)
		<u>(68.3)</u>	<u>(49.0)</u>	<u>(117.3)</u>	<u>(112.3)</u>
Total net expenditure		<u>(58.5)</u>	<u>(49.0)</u>	<u>(107.5)</u>	<u>(102.4)</u>
Sovereign Grant funding less net expenditure transferred (from)/to Sovereign Grant Reserve		<u>(6.7)</u>	<u>(14.5)</u>	<u>(21.2)</u>	<u>(16.1)</u>

The accounting policies are summarised on pages 87 to 96. The Statement of Income and Expenditure presented under Section 2 of the Sovereign Grant Act 2011 should be read in conjunction with the Statement of Comprehensive Income and Expenditure, the Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Reserves on pages 82 to 86. The notes on pages 87 to 122 form part of these accounts. The results shown above relate to continuing activities.

¹ In accordance with the Accounts Direction issued by HM Treasury (See Appendix 3 page 126), funding received in respect of the Sovereign Grant (and any draw down from the Sovereign Grant Reserve) is recognised in the Statement of Income and Expenditure in the year.

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

<i>Year to 31 March</i>	Note	Core £m	Reservicing £m	2023 £m	2022 £m
Sovereign Grant funding less net expenditure after transfer of (deficit)/surplus (from)/to Sovereign Grant Reserve		-	-	-	-
Actuarial (loss)/gain for the year (Royal Households Group Pension Scheme)	14	(1.0)	-	(1.0)	1.3
Total recognised (losses)/gains relating to the year		(1.0)	-	(1.0)	1.3

STATEMENT OF FINANCIAL POSITION

As at 31 March

	Note	2023 £m	2022 £m
Non-current assets			
Property, plant and equipment	6	28.6	28.4
Right-of-use assets	7	1.9	-
Intangible assets	8	-	0.7
Total non-current assets		30.5	29.1
Current assets			
Inventories		0.4	0.4
Trade and other receivables	9	4.8	3.7
Cash and cash equivalents	10	24.0	45.1
Total current assets		29.2	49.2
Total assets		59.7	78.3
Current liabilities			
Trade and other payables	11	(16.9)	(16.0)
Lease liabilities	12	(0.8)	-
Total current liabilities		(17.7)	(16.0)
Non-current liabilities			
Lease liabilities	12	(1.1)	-
Net assets excluding pension asset		40.9	62.3
Defined benefit pension scheme asset	14	0.5	1.3
Net assets		41.4	63.6
Reserves			
Non-current assets reserve		28.4	29.1
Other retained reserve		2.4	2.4
Sovereign Grant reserve		10.1	30.8
Pension scheme reserve		0.5	1.3
Total reserves		41.4	63.6

Sir Michael Stevens
Keeper of the Privy Purse
20 June 2023

STATEMENT OF CASH FLOWS

<i>Year to 31 March</i>		2023	2023	2022	2022
	Note	£m	£m	£m	£m
Reconciliation of total net expenditure to funding					
Total net expenditure			(107.5)		(102.4)
Retirement benefits adjustment	14	(0.2)		(0.2)	
Depreciation and amortisation	6,7,8	4.3		3.5	
Decrease/(increase) in inventories		-		0.1	
Decrease/(increase) in receivables	9	(1.1)		-	
(Decrease)/increase in payables	11	0.9		(1.0)	
Disposal of assets	6,8	0.6		0.1	
Adjustment for non-cash intangible transfer	8	0.6		-	
			<u>5.1</u>		<u>2.5</u>
Net cash outflow from operating activities			(102.4)		(99.9)
Cash flows from investing activities					
Capital expenditure	6,8	(4.1)		(2.0)	
Net cash outflow from investing activities			(4.1)		(2.0)
Net cash outflow before funding			(106.5)		(101.9)
Cash flows from financing activities					
Grant funding received		86.3		86.3	
Payment of lease liabilities		(0.9)		-	
Net cash inflow from financing activities			85.4		86.3
Net (decrease)/increase in cash and cash equivalents	10		(21.1)		(15.6)
Reconciliation of cash and cash equivalents					
			2023		2022
			£m		£m
As at 1 April			45.1		60.7
Net (decrease)/increase			(21.1)		(15.6)
As at 31 March			24.0		45.1

STATEMENT OF CHANGES IN RESERVES

	Non- current assets reserve	Other retained reserve	Sovereign Grant reserve	Pension scheme reserve	Total reserves
	£m	£m	£m	£m	£m
As at 31 March 2022	29.1	2.4	30.8	1.3	63.6
Actuarial loss on RH Group Pension Scheme	-	-	-	(1.0)	(1.0)
Sovereign Grant funding less net expenditure transferred (from)/to Sovereign Grant Reserve	-	-	(21.2)	-	(21.2)
Transfer (to)/from pension scheme reserve	-	-	(0.2)	0.2	-
Transfer from/(to) non- current assets reserve	(0.7)	-	0.7	-	-
As at 31 March 2023	28.4	2.4	10.1	0.5	41.4

	Non- current assets reserve	Other retained reserve	Sovereign Grant reserve	Pension scheme reserve	Total reserves
	£m	£m	£m	£m	£m
As at 1 April 2021	30.7	2.5	45.4	(0.2)	78.4
Actuarial loss on RH Group Pension Scheme	-	-	-	1.3	1.3
Sovereign Grant funding less net expenditure transferred (from)/to Sovereign Grant Reserve	-	-	(16.1)	-	(16.1)
Transfer (to)/from pension scheme reserve	-	-	(0.2)	0.2	-
Transfer from/(to) non- current assets reserve	(1.6)	(0.1)	1.7	-	-
As at 31 March 2022	29.1	2.4	30.8	1.3	63.6

SOVEREIGN GRANT RESERVE

	Core £m	Reservicing £m	2023 £m	2022 £m
Balance brought forward	15.7	15.1	30.8	45.4
Transfer to/(from) reserve	(6.7)	(14.5)	(21.2)	(16.1)
Transfer from other retained reserve	-	-	-	0.1
Transfer (to)/from pension scheme reserve	(0.2)	-	(0.2)	(0.2)
Transfer from/(to) non-current assets reserve	2.1	(1.4)	0.7	1.6
Balance carried forward	10.9	(0.8)	10.1	30.8

In 2022-23, expenditure in respect of Reservicing exceeded available funding by £0.8 million therefore this has been temporarily funded out of the Core Sovereign Grant Reserve.

The Sovereign Grant Act 2011 provides that a capped reserve fund managed by the Royal Trustees, the Sovereign Grant Reserve, will be established to hold unused funds from the Sovereign Grant. This statement is presented under Section 4 of the Sovereign Grant Act 2011.

If the amount of the Sovereign Grant for a financial year exceeds the audited net relevant expenditure for that year, the surplus will be paid into the Reserve, which may be drawn down in future years as required, with agreement by the Royal Trustees. To ensure that the Grant remains at an appropriate level, if the Reserve exceeds 50% of the Sovereign Grant used in that year, the Royal Trustees may specify a lower future grant amount than would otherwise have been implied by the formula included in the Sovereign Grant Act 2011. This would be done in a way which they expect will result in the adjusted value of the Reserve Fund being about 50% of the audited net relevant expenditure at the end of the year for which the Grant is being calculated. The Reserve at 31 March 2023 is 9% of the audited net relevant expenditure at the end of the year and based on planned expenditure in 2023-24, the expected Reserve at 31 March 2024 is not expected to meet the criteria for a potential reduction in the future grant.

The Sovereign Grant Reserve is held by the Exchequer in accordance with the Framework Agreement with HM Treasury relating to the Sovereign Grant, a copy of which is available on the Monarchy website at www.royal.uk.

Sir Michael Stevens

Keeper of the Privy Purse

20 June 2023

NOTES TO THE ACCOUNTS

1. Accounting Policies

a) Basis of preparation

The accounts are prepared in accordance with the Accounts Direction given by HM Treasury as set out in Appendix 3 (pages 126 to 128) and the 2022-23 Government Financial Reporting Manual (“FReM”).

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances for the purpose of giving a true and fair view of the Sovereign Grant has been selected. The accounting policies have been applied consistently in dealing with items that are considered material to the accounts.

IFRS 16 Leases became effective for periods beginning on or after 1 January 2019, however the FReM deferred adoption until 2022. The Sovereign Grant has applied IFRS 16 for the first time using the cumulative catch up approach as mandated by the FReM. Refer to note 1d accounting policies for more information on the adoption of this standard and notes 7 and 12 for details of the associated Right-of-use assets and Lease liabilities.

Under the FReM, the continued provision of service assumption applies to the going concern assessment of the Sovereign Grant and Sovereign Grant Reserve. Further commentary on the assessment of the adequacy of the Sovereign Grant to enable The King to continue to undertake His Official Duties for the foreseeable future is included on page 33 of the Annual Report.

b) Income

The Sovereign Grant – This is recognised annually on a receivable basis, under the terms of the Sovereign Grant Act 2011. The Sovereign Grant Act 2011 states that if the Grant proves greater than required in a given year, the surplus will be paid into a capped reserve fund, the Sovereign Grant Reserve, managed by the Royal Trustees, which may be drawn down in future years as required. In accordance with the Accounts Direction issued by HM Treasury (See Appendix 3 page 126), funding received in respect of the Sovereign Grant (and any draw down from the Sovereign Grant Reserve) is recognised in the Statement of Income and Expenditure in the year in which it is receivable. The Grant is drawn down on a monthly basis over the course of the financial year.

Facilities management charges – Amounts due from The Royal Collection Trust to the Sovereign Grant in respect of services provided in connection with admitting the public to Windsor Castle and Buckingham Palace are recognised in the Statement of Income and Expenditure over the course of the year in which they are earned, when the performance

obligations under the contract are complete. Payment in respect of Buckingham Palace is typically received in the Winter of the financial year in which it was earned and is based upon the days open to the public. Payment in respect of Windsor Castle, is typically received in the financial year in which it was earned, and varies year on year based on inflation and trends in visitor numbers. As noted in the Performance Report on page 9, facilities management charges were fully waived for 2020-21 and for almost two months of 2021-22.

Rental income – Rental income for the provision of property to tenants is recognised and received monthly on a straight-line basis over the term of the agreement.

All **other income** is accounted for in the Statement of Income and Expenditure in the year in which it is earned, when performance obligations are complete. Charges for Sovereign Grant internally supplied services such as Digital and Human Resources are billed at regular intervals throughout the year as the service is provided. Expenditure recharged for supplies made by a third party are billed once invoices are received and are recognised alongside support costs once the event has taken place.

Any income received in advance of performance is recorded as deferred income in the Statement of Financial Position.

c) Property, plant and equipment

Expenditure of £5,000 or more (net of recharges) on property, plant and equipment is capitalised where it is expected to bring benefit over future years. On initial recognition, assets are measured at cost and include all costs directly attributable to bringing them into working condition.

Property, plant and equipment are reviewed annually for impairment and are carried at cost less any accumulated depreciation and accumulated impairment losses, in accordance with the Sovereign Grant Accounts Direction disclosure requirements (Appendix 3: schedule 1 (8b)).

Assets held in right of the Crown are not capitalised within these accounts although expenses relating to their use and maintenance are recognised in the Statement of Income and Expenditure.

Heritage Assets

- Land and Buildings

The Sovereign Grant is used to maintain the land and buildings that are held by The King in trust for the Nation and under the Crown Lands Act 1702 cannot be sold. Owing to the incomparable nature of these properties, it is considered that conventional valuation techniques lack sufficient reliability and that, even if valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the users of the accounts. As a result, no value is reported for these assets in the Statement of Financial Position.

- Expenditure on Major Restoration

The cost of associated major repairs is charged in the Statement of Income and Expenditure in the year in which it is incurred. This includes costs relating to the infrastructure such as electrical and data cabling and pipework associated with heating and drainage systems which are deemed to be part of the fabric of the building.

Where improvements are made to the buildings that are deemed to be on separately identifiable items of plant and equipment they are capitalised respectively as plant and machinery or property improvements within Non-current assets.

- Further information on heritage assets is given in Note 5 to the accounts.

Expenditure on New Buildings

The cost of construction is capitalised as buildings within Non-current assets, held at historical cost and depreciated over 30 years.

Where the cost of constructing a new building is funded by The Royal Collection Trust for shared use with activities funded by the Sovereign Grant, the proportion of the cost attributable to the Sovereign Grant funded activities is capitalised.

Depreciation

Depreciation is charged on a straight-line basis starting in the month following that of capitalisation, at the following rates:

Property Improvements and Infrastructure

- | | |
|--|-------------|
| • Automatic fire detection | 10 years |
| • Fire compartmentation | 30 years |
| • General building improvements ¹ | 10-30 years |
| • Refurbishments (commercial lettings only) | 7 years |
| • Water mains | 30 years |

Furnishings and Equipment

- | | |
|-------------------|----------------|
| • Furnishings | 10 to 20 years |
| • Other equipment | 3 to 10 years |

Plant and Machinery

- | | |
|------------------------------------|--------------|
| • Electrical Plant | 10 years |
| • Information technology equipment | 3 to 5 years |

¹ General building improvements includes changes of operational use.

- Helicopter operation equipment 5 years
- Horses 12 years
- Lifts 20 years
- Motor Vehicles 3 to 10 years
- Small plant and tools 3 to 10 years

Assets in the course of construction are carried at accumulated cost. Depreciation does not commence until the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

d) Leases

The FReM requires IFRS 16 Leases to be adopted from 1 April 2022 replacing IAS 17 Leases. IFRS 16 removes the distinction between operating and finance leases and introduces a single accounting model that requires a lessee to recognise ('right-of-use') assets and lease liabilities.

Policy applicable before 1 April 2022 (IAS 17 treatment)

Under IAS 17 Leases, payments made under operating leases are recognised in the Statement of Income and Expenditure on a straight line basis over the term of the lease. The Sovereign Grant did not hold any finance leases.

Rental receipts are credited to the Statement of Income and Expenditure on a straight-line basis over the period of the agreement.

Policy applicable after 1 April 2022 (IFRS 16 treatment)

As a lessee

Implementation and assumptions

The FReM requires IFRS 16 Leases to be implemented using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 Leases. There is no cumulative effect of adopting IFRS 16 at the beginning of the current period as the value of the right-of-use assets and lease liability are equal.

The FReM mandates the practical expedient for the Sovereign Grant not to reassess whether a contract is, or contains, a lease at the date of initial application and to use hindsight to determine the lease term.

The FReM further requires the Sovereign Grant not to recognise right-of-use assets and liabilities for the following leases:

- Leases with a lease term of 12 months or less.

- Low value assets (these are determined to be in line with capitalisation thresholds on Property, Plant and Equipment).

The Sovereign Grant has elected to utilise the practical expedient not to recognise right-of-use of assets and lease liabilities for intangible assets.

Initial recognition

At the commencement of a lease (or the IFRS 16 transition date, if later), the Sovereign Grant assesses whether a contract is, or contains a lease and recognises a right-of-use asset and lease liability as appropriate. A contract is, or contains, a lease if the contract conveys the rights to control the use of an identified asset. This assessment of the contract includes whether it is reasonably certain to exercise break options or extension options at the lease commencement date.

At inception or on reassessment of a contract that contains a lease component, the Sovereign Grant allocates the consideration to each lease component as identified in the contract.

A reconciliation from the IAS 17 Leases operating commitment on 31 March 2022 to the IFRS 16 opening lease liability on 1 April 2022 is shown in note 12.

Right-of-use assets

A right-of-use asset is initially measured at cost, which comprises the amount of the lease liability adjusted for the initial direct costs, prepayments or incentives.

The right-of-use assets are subsequently measured at cost in line with the property, plant and equipment capitalisation policy.

Depreciation is charged on a straight line basis starting in the month following the recognition of the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of right-of-use assets are determined on the same basis of those of property, plant and equipment assets.

The Sovereign Grant applies IAS 36 Impairment of assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liabilities

The lease liability is measured at the payments for the remaining lease term, excluding VAT, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, the rate provided by HM Treasury. Incremental borrowing rates range from 0.95% to 2.26% have been deemed appropriate for use in calculations for all leased assets.

The lease payment is measured at amortised cost using the effective interest method. It is re-measured if the Sovereign Grant changes its assessment of whether it will exercise a purchase, extension or termination option.

When a lease liability is re-measured, a corresponding adjustment is made to the right-of-use asset or recorded in the Statement of Income and Expenditure, if the carrying amount of the right-of-use asset is nil.

As a lessor

The Sovereign Grant has determined at lease inception (or the IFRS 16 transition date, if later), that all lessor arrangements are operating leases and recognise rental income on a straight line basis over the length of the lease term.

e) Intangible assets

Intangible assets comprise computer software costing over £5,000 that is not integral to any associated hardware. Sovereign Grant intangible assets mainly relate to licences for the rights to use software and are recognised at the point the licenses are delivered and the Sovereign Grant can benefit from them. Intangible assets are amortised on a straight-line basis over a 3-to-5-year basis. Intangible assets are reviewed for impairment if circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Internally generated intangible assets

Internally generated intangible assets, including internally generated software, that do not qualify for recognition as an intangible asset under IAS 38 are recognised as an expense in the year in which the expenditure is incurred.

Cloud computing services

Cloud computing service purchases from a third party service provider (which may include the licences for the use of software) are not capitalised as the Sovereign Grant has no legal title to, or rights to control of, the underlying assets associated with the services. Associated implementation costs, such as customisation, configuration or training services, which enable the Sovereign Grant to benefit from the cloud computing service are assessed separately to determine whether any legal title or right is held by the Sovereign Grant. Where the criteria is not met these costs are charged to the Statement of Income and Expenditure.

During the year cloud based software was re-assess against IAS 38 following additional guidance from the IFRS Interpretation Committee, the results of which are shown in Note 8.

f) Inventories

Inventories comprise mainly wines and spirits and are held at the lower of cost and net realisable value with cost calculated using the average cost method.

g) Financial Instruments

When financial instruments are recognised initially, they are measured at fair value at the inception of the contract.

- Trade and other receivables

Trade receivables, which generally have 30-day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts based upon an assessment of expected credit loss over the lifetime of the debt. As at 31 March 2023 no significant provision for credit losses is required.

- Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand. Most cash is held with the Government Banking Service and the credit risk is therefore assessed as low. As the Sovereign Grant of £86.3 million is guaranteed for the year ended 31 March 2024, there is deemed sufficient liquid resources to cover amounts due within one year. The grant income is supplemented through income generated through other activity.

- Trade and other payables

Trade and other payables are recognised at the invoiced amount and are subsequently measured at amortised cost.

The carrying values of the above financial instruments are disclosed in the Statement of Financial Position.

h) Pensions

- The Royal Household participates in two pension schemes providing benefits based on final pensionable pay, the Royal Household Pension Scheme and the Royal Households Group Pension Scheme. The assets of the schemes are held separately from those of the Sovereign Grant. Contributions to the schemes are charged to the Statement of Income and Expenditure to reflect the cost of benefits accruing to members so as to spread pension costs over employees' working lives with the Royal Household.

- One of these pension schemes, the Royal Household Pension Scheme, is managed by the Government and the benefits of the scheme are broadly by-analogy to the benefits of the Principal Civil Service Pension Scheme (PCSPS). It is an unfunded scheme and the Consolidated Fund pays as a Standing Service the pension benefits of those Royal Household employees who entered employment before 1 April 2001. The liabilities for this scheme are disclosed in the Consolidated Fund Account. The Royal Household is unable to identify the share of the underlying assets and liabilities of the scheme attributable to employees funded by the Sovereign Grant (or its equivalent in previous years) on a consistent and reasonable basis and therefore as permitted by IAS 19: Employee Benefits, this scheme is treated as a defined contribution scheme by the Royal Household and the full cost of contributions made in the year is reflected in the Statement of Income and Expenditure.
- IAS 19: Employee Benefits is also applicable to the second scheme, the Royal Households Group Pension Scheme and accordingly the Statement of Income and Expenditure includes the expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time. The actuarial gain/(loss) recognised in the pension scheme for the year is shown within the Statement of Comprehensive Income and Expenditure and the Statement of Financial Position includes the asset or liability in the pension scheme, taking the assets at their year-end bid-values and liabilities at their actuarially calculated discounted values. This scheme was closed to future service accrual from 1 April 2021. From this date members were enrolled in the defined contribution scheme unless they chose to opt-out.
- The Royal Household also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Sovereign Grant in an independently administered fund. The amount charged to the Statement of Income and Expenditure represents the contributions payable to the scheme in respect of the year.

Further details of the pension schemes are provided in Note 14 to these accounts.

i) Other employee benefits

Other short-term employee benefits comprise holiday pay, which is recognised as an expense over the period in which it accrues.

j) Reserves

The Non-current assets and Other retained Reserves represent funds utilised to fund the acquisition of property, plant and equipment and inventories and which have not been included in the Statement of Income and Expenditure. Post implementation of IFRS 16 Leases the Non-Current assets reserve includes assets the Sovereign Grant has identified as having right of use. For further details refer to note 1d. The acquisition of non-current assets is matched by an equivalent credit from the Sovereign Grant Reserve to the Non-current assets reserve. Depreciation charged over the life of non-current assets and interest charged on right-of-use assets are matched by an equivalent credit from the Non-current assets reserve to the Sovereign Grant Reserve.

The Pension scheme reserve represents the amount of the Royal Households Group Pension scheme asset or deficit at the year end. If deficit, this will need to be settled from the Sovereign Grant Reserve or future Sovereign Grant funding over time.

The Sovereign Grant Reserve represents unused funds from the Sovereign Grant.

k) Key changes to accounting policies

See note 1d for the impact of first-time adoption of IFRS 16 Leases.

Changes to accounting standards not yet effective

The International Accounting Standards Board (IASB) has issued IFRS 17 Insurance Contracts which replaces IFRS 4 Insurance Contracts effective for accounting periods beginning on or after 1 January 2023. IFRS 17 redefines what constitutes an insurance contract broadly, bringing many more situations into scope. No material assets and liabilities are recognised as insurance contracts in the Sovereign Grant, and therefore this standard will have no impact the financial statements.

l) Significant judgements, key assumptions and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires the Keeper of the Privy Purse to exercise judgement in applying the Sovereign Grant accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the accounts are disclosed below:

Property, major project accruals

The accruals for work completed on projects in the property annual works programme but not yet billed are calculated on the basis of an estimate of the proportion of the project that has been completed. This proportion is provided by the Royal Household's property management team. Annual works programme accruals at 31 March 2023 were £1.0 million (2021-22: £1.1 million).

Buckingham Palace Reservicing Programme accruals

Similarly, the accruals for work completed on the Reservicing programme but not yet billed are calculated on the basis of an estimate of the proportion of the project that has been completed. This proportion is provided by the Buckingham Palace Reservicing Programme Management Office programme managers. Buckingham Palace Reservicing Programme accruals at 31 March 2023 are £6.5 million (2021-22: £6.5 million).

Lease term

At lease commencement (or the IFRS 16 transition date, if later), the Sovereign Grant makes a decision as to whether it is reasonably certain to be exercising break clauses or extension options. Where leases exist on a roll forward basis, an estimate of the period of continued use is made. These estimates determine the length of the lease term impacting the lease liabilities and right-of-use assets. This is reviewed if there is a significant event or significant change of circumstances.

Post-retirement benefits

The pension costs and obligations of the Royal Households Group Pension Scheme are calculated on the basis of a range of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the liabilities. More details on the assumptions used are given in Note 14.

2. Segmental Analysis

All material revenues are derived from the United Kingdom. All operations funded by the Sovereign Grant are based in the UK and are conducted by four departments of the Royal Household. The departments are: Private Secretary's Office ("PSO"), Privy Purse and Treasurer's Office ("PPTO"), Master of the Household's Department ("MOH") and Lord Chamberlain's Office ("LCO"). The operations of these four departments are monitored by the Lord Chamberlain's Committee which makes decisions as to the allocation of funds to each department's activities.

In addition, the Lord Chamberlain's Committee separately monitors the activities of the Buckingham Palace Reservicing Programme and associated expenditure.

<i>Year to 31 March 2023</i>	PSO	PPTO	MOH	LCO	BPR	Total
	£m	£m	£m	£m	£m	£m
Facilities management charges	-	0.5	-	-	-	0.5
Recharges and other income	0.3	7.8	1.0	0.2	-	9.3
Salaries and other staff costs (Note 4)	(5.3)	(11.3)	(7.2)	(4.5)	(3.8)	(32.1)
Property expenditure	-	(19.3)	-	-	(43.0)	(62.3)
Travel	-	(3.8)	-	(0.1)	-	(3.9)
Digital services	-	(3.6)	-	-	(0.4)	(4.0)
Depreciation (Note 6,7,8)	-	(2.7)	(0.1)	(0.1)	(1.4)	(4.3)
Other	(1.8)	(4.4)	(2.8)	(1.3)	(0.4)	(10.7)
Total net expenditure	(6.8)	(36.8)	(9.1)	(5.8)	(49.0)	(107.5)

Other costs include travel, utilities and digital services; these are shown on the Statement of Income and Expenditure.

<i>Year to 31 March 2022</i>	PSO	PPTO	MOH	LCO	BPR	Total
	£m	£m	£m	£m	£m	£m
Facilities management charges	-	0.4	-	-	-	0.4
Recharges and other income	0.1	8.3	1.0	0.1	-	9.5
Salaries and other staff costs (Note 4)	(4.0)	(11.6)	(6.4)	(1.4)	(4.1)	(27.5)
Property expenditure	-	(19.3)	-	-	(47.8)	(67.1)
Travel		(4.5)	-	-	-	(4.5)
Digital services		(2.9)	-	-	(0.3)	(3.2)
Depreciation (Note 6,7,8)	-	(2.0)	-	-	(1.4)	(3.4)
Other	(0.6)	(3.3)	(1.5)	(0.2)	(1.0)	(6.6)
Total net expenditure	(4.5)	(34.9)	(6.9)	(1.5)	(54.6)	(102.4)

3. Other Expenditure

	2023	2023	2023	2022
	Core	BPR	Total	Total
	£m	£m	£m	£m
Equipment purchase and hire	1.3	-	1.3	0.5
Insurance, legal advice and other professional services	4.0	0.2	4.2	2.0
Printing, postage and stationery	1.2	-	1.2	1.1
Other	1.4	0.2	1.6	1.7
	7.9	0.4	8.3	5.3

Auditors' remuneration of £131,000 was charged for the year by the National Audit Office (2021-22: £105,000). There were no non-audit fees paid to the auditors (2021-22: nil).

4. Staff Numbers and Costs

Staff Numbers

The *average* number of full-time equivalent (FTE) staff paid from the Sovereign Grant during the year to 31 March was:

	2023	2022
Lord Chamberlain	2	1
Private Secretary's Office	78	68
Privy Purse and Treasurer's Office	168	166
Master of the Household's Department	178	172
Lord Chamberlain's Office	61	55
	<u>487</u>	<u>462</u>
Buckingham Palace Reservicing	30	29
	<u>517</u>	<u>491</u>

This excludes the element of staff time paid for from any other sources of income. Where staff work part-time, they are recorded according to the proportion of their time devoted to and paid by, the Sovereign Grant. 19 were on fixed term contracts (2021-22: 15).

The total cost of Royal Household employees (including members of the Lord Chamberlain's Committee) paid from the Sovereign Grant during the year to 31 March was as follows:

Payroll Costs

	Core	BPR	2023	2022
	£m	£m	£m	£m
Salaries	20.0	1.4	21.4	18.7
Temporary staff	0.3	0.1	0.4	0.1
National insurance	2.1	0.2	2.3	2.1
Pension contributions	2.8	0.2	3.0	2.8
	<u>25.2</u>	<u>1.9</u>	<u>27.1</u>	<u>23.7</u>

Further staff-related disclosure and details of the remuneration of members of the Lord Chamberlain's Committee can be found in the Remuneration and Staff Report on pages 53 - 59.

Other Staff Costs

	Core	BPR	2023	2022
	£m	£m	£m	£m
Agency staff	1.1	1.9	3.0	2.8
Other (including staff travel, training, recruitment)	2.0	-	2.0	1.0
	<u>3.1</u>	<u>1.9</u>	<u>5.0</u>	<u>3.8</u>

5. Heritage Assets not recognised in the Balance Sheet

The Sovereign Grant is used to maintain the following properties, collectively referred to as the Estate, for the benefit of future generations:

- Buckingham Palace;
- St James's Palace, Clarence House and Marlborough House Mews;
- The residential and office areas of Kensington Palace;
- The Royal Mews and Royal Paddocks at Hampton Court; and
- Windsor Castle and buildings in the Home and Great Parks at Windsor.

The land and buildings are held in right of the Crown under the Crown Lands Act 1702 and cannot be sold. The statutory duties of the Secretary of State for Digital, Culture, Media and Sport under section 21 of the Crown Lands Act 1851 are suspended under section 11 of the Sovereign Grant Act 2011, however, the Department for Digital, Culture, Media and Sport retains an interest in ensuring that the Sovereign Grant is being used by the Royal Household to properly maintain the Occupied Royal Palaces. The Estate is used by the Sovereign in fulfilling the role and functions of Head of State and by other members of the Royal Family in support of The King.

The Royal Household aims to maintain the Estate in as good a state of repair as is possible within the constraints of available funding. A system is used to record actual condition against target condition for these assets and this is used to determine the priorities for maintenance across the Estate. The ongoing cost of maintenance and upkeep is reported in the Statement of Income and Expenditure in the year in which it is incurred.

During the past year there have been no acquisitions or disposals of heritage assets.

6. Property, Plant and Equipment

	Property Improvements & Infrastructure £m	Furnishings & Equipment £m	Plant & Machinery £m	AIC £m	Total £m
Cost					
As at 1 April 2022	29.5	2.2	20.5	0.8	53.0
Additions	-	-	0.8	3.3	4.1
Disposals	(0.2)	(0.1)	(0.5)	(0.3)	(1.1)
Transfers	-	-	0.1	(0.1)	-
As at 31 March 2023	29.3	2.1	20.9	3.7	56.0
Depreciation					
As at 1 April 2022	13.3	1.5	9.8	-	24.6
Charge for the year	1.2	0.1	2.1	-	3.4
Disposals	(0.1)	-	(0.5)	-	(0.6)
As at 31 March 2023	14.4	1.6	11.4	-	27.4
Net book value					
As at 31 March 2023	14.9	0.5	9.5	3.7	28.6
As at 1 April 2022	16.2	0.7	10.7	0.8	28.4

“AIC” refers to assets in the course of construction. These assets will be transferred to the relevant category and depreciated from the date of completion.

	Property Improvements & Infrastructure £m	Furnishings & Equipment £m	Plant & Machinery £m	AIC £m	Total £m
Cost					
As at 1 April 2021	29.0	2.1	19.8	1.1	52.0
Additions	0.4	0.2	0.4	0.5	1.5
Disposals	(0.1)	(0.2)	(0.2)	-	(0.5)
Transfers	0.2	0.1	0.5	(0.8)	-
As at 31 March 2022	29.5	2.2	20.5	0.8	53.0
Depreciation					
As at 1 April 2021	12.1	1.6	7.9	-	21.6
Charge for the year	1.2	0.1	2.1	-	3.4
Disposals	-	(0.2)	(0.2)	-	(0.4)
As at 31 March 2022	13.3	1.5	9.8	-	24.6
Net book value					
As at 31 March 2022	16.2	0.7	10.7	0.8	28.4
As at 1 April 2021	16.9	0.5	11.9	1.1	30.4

7. Right-of-use assets

This is a new note for 2022-23 as this is the first year of adoption of IFRS 16 Leases (adapted by the FReM). The FReM requires the cumulative catch up approach and therefore the prior period comparatives are not restated. Right of use assets are recognised for the first time as at 1 April 2022. Refer to note 1d accounting policies for more information on the adoption of this standard and note 12 for details of the associated Lease liabilities.

Further detail on leases committed to, and/or authorised, but not commenced are provided in note 13 – other commitments.

Sovereign Grant lease contracts comprise of multiple vehicles, one helicopter and storage of the Royal Train. The right-of-use asset value of vehicle (including helicopter) leases and storage lease as at 31 March 2023 is £1.1m and £0.8m respectively. The leases exceed no more than four years commitment. Leases containing non-lease components are charged to the Statement of Income and Expenditure.

	Total £m
Cost	
Initial recognition as at 1 April 2022	2.7
Additions	0.2
Disposals	(0.1)
As at 31 March 2023	<u>2.8</u>
Depreciation	
Charge for the year	0.9
Disposals	-
As at 31 March 2023	<u>0.9</u>
Net book value	
As at 31 March 2023	<u>1.9</u>

8. Intangible Assets

	Software £m	AIC £m	Total £m
Cost			
As at 1 April 2022	0.8	0.5	1.3
Additions	-	-	-
Disposal	(0.1)	-	(0.1)
Transfers ¹	(0.2)	(0.5)	(0.7)
As at 31 March 2023	<u>0.5</u>	<u>-</u>	<u>0.5</u>
Amortisation			
As at 1 April 2022	0.6	-	0.6
Charge for the year	-	-	-
Transfers	(0.1)	-	(0.1)
As at 31 March 2023	<u>0.5</u>	<u>-</u>	<u>0.5</u>
Net book value			
As at 31 March 2023	<u>-</u>	<u>-</u>	<u>-</u>
As at 1 April 2022	<u>0.2</u>	<u>0.5</u>	<u>0.7</u>

“AIC” refers to assets in the course of construction. These assets will be transferred to the relevant category and amortised from the date of completion.

¹Cloud computing software both capitalised and in construction have been re-assessed against IFRS 38 Intangible Assets following additional guidance released by the IFRS Interpretation Committee. As a result, the additions of such software in 2020-21 and 2021-22 have been reclassified as operating costs and transferred from Intangible assets to the Statement of income and expenditure within Digital Services costs. Further detail of the intangible accounting policy can be found in 1e.

	Software £m	AIC £m	Total £m
Cost			
As at 1 April 2021	0.5	0.3	0.8
Transfers	-	-	-
Additions	0.3	0.2	0.5
Disposals	-	-	-
As at 31 March 2022	<u>0.8</u>	<u>0.5</u>	<u>1.3</u>
Amortisation			
As at 1 April 2021	0.5	-	0.5
Charge for the year	0.1	-	0.1
Disposals	-	-	-
As at 31 March 2022	<u>0.6</u>	<u>-</u>	<u>0.6</u>
Net book value			
As at 31 March 2022	<u>0.2</u>	<u>0.5</u>	<u>0.7</u>
As at 1 April 2021	<u>-</u>	<u>0.3</u>	<u>0.3</u>

9. Trade and Other Receivables

As at 31 March	2023 £m	2022 £m
Recharges and other receivables	2.3	1.3
Prepayments and accrued income	2.5	2.4
Total receivables	<u>4.8</u>	<u>3.7</u>

10. Cash and Cash Equivalents

As at 31 March	2023 £m	2022 £m
Government Banking Service	22.5	42.8
Commercial banks and cash in hand	1.5	2.3
	<u>24.0</u>	<u>45.1</u>

Cash held in the Exchequer's Government Banking Service account is the cumulative balance of prior year cash surplus and the current years movement between receipt of funding and phased expenditure.

11. Current Liabilities: Trade and Other Payables

As at 31 March	2023 £m	2022 £m
Trade payables	3.5	3.0
Rent deposits	0.1	0.1
Taxes and social security	1.3	1.1
Other payables	0.8	2.1
Accruals and deferred income	11.2	9.7
	<u>16.9</u>	<u>16.0</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. It is considered that the carrying amount of trade payables approximates to their fair value.

12. Leasing

For 2022-23 lease expenditure is accounted for under IFRS 16 Leases (refer to note 1d for further details).

Sovereign Grant lease contracts comprise of multiple vehicles, one helicopter and storage of the Royal Train. The value of the vehicle leases and storage lease as at 31 March 2023 is £1.1m and £0.8m respectively.

Further detail on leases committed to, and/or authorised, but not commenced are provided in note 13 – other commitments.

Lease liabilities

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented below. The cash flows and balances are presented net of irrecoverable VAT.

	2023
	Total
	£m
Cost	
Not later than one year	0.8
Later than one year and not later than five	1.2
Later than five years	-
Future finance charges	<u>(0.1)</u>
Total undiscounted lease liabilities	<u>1.9</u>
Total Present Value of obligations	
Current portion	0.8
Non-current portion	<u>1.1</u>
	<u>1.9</u>

Amounts recognised in the Statement of Income and Expenditure

	2023
	Total
	£m
Depreciation	0.9

Short term leases expenditure of £23,428 are charged directly to the Statement of Income

Amounts recognised in the Statement of Cash flows

	2023
	Total
	£m
Cash flows	0.9
Interest expense*	-
	<u>0.9</u>

* Interest charges of £37,596 were applied in year.

The FReM requires IFRS 16 Leases to be implemented using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. IFRS 16 Leases are included within our statement of financial position as a lease liability and right-of-use asset for the first time with changes made through the general fund as a cumulative catch-up adjustment. Refer to note 1d for further details.

Reconciliation from the IAS 17 operating lease commitment on 31 March 2022 to the IFRS 16 opening lease liability on 1 April 2022

	£m
Operating leases disclosed at 31 March 2022	2.4
Adjustments from IAS 17 to IFRS 16:	
Impact of discounting	(0.1)
Assessment of lease extension periods	0.7
Service charges, short term lease commitments and other elements outside of IFRS 16	(0.3)
	<u>2.7</u>

Obligations payable under operating leases

The total of future minimum lease payments under non-cancellable operating leases are payable as follows:

	2023	2022
	£m	£m
Within one year	-	1.0
Later than one year and not later than five years	-	1.4
	<u>-</u>	<u>2.4</u>

Receivables from tenants

The total of future minimum rentals receivable under non-cancellable agreements to occupy are receivable as follows:

	2023	2022
	£m	£m
Within one year	3.0	1.7
Later than one year and not later than five years	0.6	0.9
	<u>3.6</u>	<u>2.6</u>

13. Other Commitments

The Sovereign Grant had committed to, and/or authorised, expenditure, payable as follows:

As at 31 March	Core £m	BPR £m	2023 £m	2022 £m
Other Staff costs – Agency cost contract				
• Committed	-	0.9	0.9	1.3
• Authorised	-	2.6	2.6	3.6
Property Maintenance				
• Committed	5.9	30.6	36.5	43.7
• Authorised	11.5	21.3	32.8	40.1
Capital				
• Committed	0.1	3.0	3.1	6.9
• Authorised	0.8	-	0.8	1.2
Transport service / maintenance contracts				
• Committed	2.0	-	2.0	1.7
• Authorised ¹	63.3	-	63.3	-
	<u>83.6</u>	<u>58.4</u>	<u>142.0</u>	<u>98.5</u>

¹ This includes authorisation to lease two helicopters to replace the existing helicopters (one leased, one owned), associated maintenance and other costs, based on the Business Case authorised by HM Treasury. The resulting contracts were signed in May 2023.

	Core	BPR	2023	2022
	£m	£m	£m	£m
As at 31 March				
Within one year	16.2	29.7	45.9	66.2
Later than one year and not later than five years	25.2	28.7	53.9	32.3
Later than five years	42.2	-	42.2	-
	83.6	58.4	142.0	98.5

14. Pension Arrangements

Until 31 March 2002, all full-time permanent employees were entitled to be members of:

- (a) a scheme managed by the Government by-analogy to the Principal Civil Service pension scheme (the Royal Household Pension Scheme); or
- (b) a scheme managed by trustees on behalf of the Royal Household (the Royal Households Group Pension Scheme).

Both pension schemes provide similar pension benefits based on final pay. The Government managed scheme is contributory for employees.

Full-time permanent employees joining post 1 April 2002 and active members of the Royal Households Group Pension Scheme at 1 April 2021 are entitled to be members of the Royal Household Defined Contribution Worksave (Mastertrust) Pension Scheme.

Information about the schemes is set out below.

Royal Household Pension Scheme

The scheme is managed by the Government and has terms by-analogy to the Principal Civil Service Pension Scheme, which is also now closed to new members. Eligible employees are those paid from the Sovereign Grant, who were formerly paid from the Civil List who joined the Royal Household prior to 1 April 2001 and employees who transferred from the Department of the Environment or the Property Services Agency when the Royal Household's Property Services section was established and were formerly paid from the Grant-in-aid for the maintenance of the Occupied Royal Palaces. The scheme is an unfunded multi-employer defined benefit scheme in which the Royal Household is unable to identify the share of the underlying assets and liabilities attributable to employees funded by the Sovereign Grant (or its equivalent in previous years) and as permitted by IAS 19: Employee Benefits, this scheme will continue to be accounted for as if it were a defined contribution scheme.

The scheme actuary (Government Actuary's Department) valued the scheme as at 31 March 2019 and updates that valuation for IAS19 annually. The total liabilities of the scheme as at 31 March 2023 of £83.6 million (2021-22: £124.9 million) are disclosed in the Consolidated Fund Account. The Sovereign Grant funds the employment costs of 24 of the 31 active members of the scheme as at 31 March 2023. Pension contributions are paid directly to the Consolidated Fund and, in turn, pension benefits are paid directly from the Consolidated Fund as a Standing Service on a defined benefit basis. The contribution rate during the year was 21.1% of pensionable pay, reflecting a valuation by the Government Actuary's Department. The contribution rates reflect the cost of pension benefits as they are earned by employees. For 2022-23, employer's contributions of £0.2 million were payable to the scheme (2021-22: £0.2 million). For 2023-24, employer's contributions are expected to be £0.2 million.

Royal Households Group Pension Scheme

All full-time permanent employees who joined before 31 March 2002 and were not members of the Royal Household Pension Scheme were entitled to be members of the Royal Households Group Pension Scheme, which is managed by trustees on behalf of the Royal Household. The Board of Trustees is composed of representatives of both the Royal Household and its employees and pensioners and is legally separate from the Household. Trustees are required by law to act in the best interest of all relevant beneficiaries and are responsible for the investment policy for the assets, plus the day to day administration of the benefits. The scheme provides benefits which are based on final pensionable pay and is non-contributory for employees. Pensionable pay is defined as basic salary. Benefits are also payable on death and following other events such as withdrawing from active service.

Under the plan, employees are entitled to annual pensions on retirement at age 60 of 1/60 of final pensionable salary for each year of service up to 31 March 2007, then 1/70 for service up to 31 March 2019 and then 1/90 for service from 1 April 2019. The scheme closed to future accrual with effect from 1 April 2021, however former active members still maintain their link to future salary increases. From 1 April 2021 members have been enrolled in the Royal Household Defined Contribution Worksave (Mastertrust) Pension Scheme unless they chose to opt-out.

The Royal Households Group Pension Scheme is a defined benefit plan multi-employer scheme, which shares risks between various related parties with each employer being jointly and severally liable for their respective obligations under the scheme. As well as covering eligible employees paid from the Sovereign Grant, the scheme covers those paid by the Privy Purse, The Royal Collection Trust and the Household of the Prince and Princess of Wales.

The contribution rate for the scheme is based on triennial valuations undertaken by a qualified independent actuary using the projected unit credit method. The most recent completed valuation was as at 31 December 2020 and showed a deficit of £15.1 million. Of this, £5.1 million was notionally attributable to staff funded by the Sovereign Grant. The total market value of the assets of the whole scheme was £115.9 million and this value of assets was sufficient to cover 88% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Following this valuation, the employer's contribution rate attributable to staff funded by the Sovereign Grant remained at 30.4% of pensionable salaries in respect of current accrual for its employees until the closure of the scheme to future accrual on 31 March 2021 (2019-20: 30.4%). Thereafter, a lump sum payment of £0.2 million is due each year for six years from 1 April 2021 to 1 April 2026. It is assumed that these measures, along with investment returns from return-seeking assets, will be sufficient to eliminate the share of the past service deficit funded by the Sovereign Grant by 28 February 2027.

The results of the latest funding valuation as at 31 December 2020 have been used for this disclosure, updated by an independent qualified actuary, to take account of experience over the period since 31 December 2020 changes in market conditions and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation was measured using the projected unit credit method.

Assumptions used

The principal assumptions used to calculate the liabilities under IAS 19 are:

Actuarial assumptions adopted as at 31 March (% pa)	2023	2022	2021	2020	2019
Discount rate for scheme liabilities	4.7	2.7	2.1	2.3	2.4
Rate of general long-term increase in salaries	4.1	3.8	4.0	3.3	3.7
Rate of price inflation (RPI)	3.3	3.5	3.2	2.6	3.3
Rate of price inflation (CPI)	2.6	2.8	2.5	1.8	2.2
Rate of increase to pensions in payment	3.1	3.3	3.1	2.5	3.2

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions and reflect the nature and term of the scheme's liabilities. An estimate has been made of the impact of Guaranteed Minimum Pension equalisation and has found it to be immaterial, therefore no allowance has been made for this.

Members are assumed to take their maximum cash lump sum at retirement.

The mortality assumptions are based on the recent actual mortality experience of Scheme members and have been altered by an allowance for the long-term negative impact of Covid-19. The impact of this adjustment is a gain of £0.3 million.

Main demographic assumptions adopted as at 31 March (years)	2023	2022	2021	2020	2019
Life expectancy for male currently aged 65	22.0	22.4	21.5	21.6	21.5
Life expectancy for female currently aged 65	24.4	24.7	23.5	23.5	23.4
Life expectancy at 65 for male currently aged 45	23.4	23.7	22.8	22.9	22.8
Life expectancy at 65 for female currently aged 45	25.8	26.1	25.1	25.1	24.9
Transfer take-up: nil for all ages					

Scheme assets are stated at their market values as at 31 March 2023.

Reconciliation of funded status to the statement of financial position

As at 31 March	2023	2022	2021	2020	2019
	£m	£m	£m	£m	£m
Fair value of scheme assets	27.5	38.3	36.4	31.7	33.0
Present value of funded defined benefit obligations	(27.0)	(37.0)	(36.6)	(31.9)	(34.7)
Net pension asset/(liability) recognised on the statement of financial position	0.5	1.3	(0.2)	(0.2)	(1.7)

There is a net pension asset of £0.5 million as at 31 March 2023. The amount of this net pension asset has a consequential effect on reserves.

When determining the asset recognised on the balance sheet, it has been assumed that the Royal Household would be able to recover the surplus through a refund from the Scheme in the future. This reflects the provisions of the Scheme's documentation

Changes to the fair value of scheme assets during the year

As at 31 March	2023	2022
	£m	£m
Fair value of scheme assets as at the beginning of the year	38.3	36.4
Movement in year:		
Contributions by employer	0.3	0.3
Administration costs incurred	(0.1)	(0.1)
Net benefits paid out	(0.8)	(0.8)
	<u>(0.6)</u>	<u>(0.6)</u>
<i>Actual return on scheme assets:</i>		
Interest income on scheme assets	1.0	0.8
Re-measurement loss on scheme assets: return on scheme assets in excess of that recognised in net interest	(11.2)	1.7
	<u>(10.2)</u>	<u>2.5</u>
Fair value of scheme assets as at 31 March	<u>27.5</u>	<u>38.3</u>

Fair value by asset class, all quoted in an active market (except cash/net current assets)

As at 31 March	2023	2022	2021
	£m	£m	£m
UK equities	0.0	0.8	3.3
Overseas equities	11.3	16.0	15.5
Fixed interest gilts	4.6	2.9	2.7
Index-linked gilts	7.9	11.1	9.8
Property	3.0	3.7	3.0
Cash/net current assets	0.7	3.8	2.1
	<u>27.5</u>	<u>38.3</u>	<u>36.4</u>

The scheme adjusts and monitors its allocation of growth assets to support its long-term objectives.

Changes to the present value of the defined benefit obligation during the year

As at 31 March	2023	2022
	£m	£m
Defined benefit obligations at the beginning of the year	37.0	36.6
Movement in year:		
Current service cost	-	-
Interest expense on defined benefit obligations	1.0	0.8
Actuarial (gains)/losses on scheme liabilities arising from:		
changes in financial assumptions	(10.9)	(2.7)
changes in demographic assumptions	(0.3)	1.5
Experience	1.0	1.6
Net benefits paid out	(0.8)	(0.8)
Defined benefit obligations as at 31 March	<u>27.0</u>	<u>37.0</u>

Analysis of the defined benefit obligation by membership category

As at 31 March	2023	2022
	£m	£m
Current (“active deferred”) employee benefits	7.9	11.1
Deferred member benefits	7.6	11.1
Pensioner member benefits	11.5	14.8
Total defined benefit obligation	<u>27.0</u>	<u>37.0</u>

The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the scheme as a whole, the duration is around 15 years.

Movement in the asset/(deficit) of the scheme

An analysis of the movement in the asset/(deficit) of the scheme over the year is as follows:

As at 31 March	2023	2022
	£m	£m
Asset/(Deficit) as at the beginning of the year	1.3	(0.2)
Movement in year:		
<i>Amounts (charged)/ credited against income and expenditure:</i>		
Contributions by employer	0.3	0.3
Current service cost	-	-
Administration costs incurred	(0.1)	(0.1)
Interest expense on defined benefit obligations	(1.0)	(0.8)
Interest income on scheme assets	1.0	0.8
<i>Pension expense recognised in Statement of Income and Expenditure</i>	<u>0.2</u>	<u>0.2</u>
<i>Amounts (charged)/ credited against comprehensive income and expenditure:</i>		
Re-measurement gains on scheme assets: return on scheme assets in excess of that recognised in net interest	(11.2)	1.7
Actuarial gains/(losses) due to changes in financial assumptions	10.9	2.7
Actuarial (losses)/gains due to changes in demographic assumptions	0.3	(1.5)
Actuarial (losses)/gains due to liability experience	(1.0)	(1.6)
<i>Actuarial gains/ (losses) recognised in Statement of Comprehensive Income and Expenditure</i>	<u>(1.0)</u>	<u>1.3</u>
Asset as at the end of the year	<u><u>0.5</u></u>	<u><u>1.3</u></u>
Year to 31 March		
	2023	2022
	£m	£m
Cumulative amount of gains recognised in Statement of Other Comprehensive Income and Expenditure	0.8	1.8

History of experience gains and losses

	2023	2022	2021	2020	2019
	£m	£m	£m	£m	£m
Experience gains/(losses) on scheme assets	(11.2)	1.7	4.3	(1.8)	1.3
Experience gains/(losses) on scheme liabilities	(1.0)	(1.6)	0.6	0.2	1.3

Risks associated with the scheme

The scheme exposes the employers to some risks, the most significant of which are:

Asset volatility - The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit.

The Scheme holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

Changes in bond yields - A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk - A significant proportion of the Scheme's benefit obligations are linked to inflation and higher inflation leads to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation).

Most of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy - The majority of the Scheme's obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the liabilities.

Risk Management

The employers and the trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes investing some of the scheme's assets in asset classes with similar profiles to the scheme's liabilities, with the aim of reducing the volatility of the funding level of the scheme. By investing in assets such as fixed and index-linked gilts, the scheme is partially protected against inflation being higher than expected.

Sensitivity to key assumptions

The key assumptions used for IAS 19 are: discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is as follows:

	Change	New value
	£m	£m
<i>Following a 0.25% decrease in the discount rate, as at 31 March 2023:</i>		
Assets	-	27.5
Defined benefit obligations	1.0	28.0
(Deficit)	<u>(1.0)</u>	<u>(0.5)</u>

Following a 1.0% decrease in the discount rate, as at 31 March 2023:

Assets	-	27.5
Defined benefit obligations	4.4	31.4
(Deficit)	<u>(4.4)</u>	<u>(3.9)</u>

Following a 0.5% increase in the inflation assumption (excluding salary increases), as at 31 March 2023:

Assets	-	27.5
Defined benefit obligations	1.4	28.4
(Deficit)	<u>(1.4)</u>	<u>(0.9)</u>

Following a one-year improvement in life expectancies, as at 31 March 2023:

Assets	-	27.5
Defined benefit obligations	1.0	(28.0)
(Deficit)	<u>(1.0)</u>	<u>(0.5)</u>

Estimate of income and expenditure charge for the coming year

As the plan ceased future accrual from 1 April 2021, no ongoing contributions are expected in the year ending 31 March 2022, although £0.2m deficit payments remain payable each year until 1 April 2026.

Year to 31 March	2024
	£m
Administration Expenses	0.1
Total estimated pension expense	<u>0.1</u>

Royal Household Defined Contribution (Mastertrust) Pension Scheme

Full-time permanent employees joining from 1 April 2002 were entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme, which is administered by Legal & General. From 1 August 2020 members moved to a new auto-enrolment pension scheme, the Royal Household Worksave Pension Scheme, which is a Mastertrust scheme administered by Legal & General. The scheme is non-contributory for employees and the Royal Household pays contributions into the fund for each employee. The current rate of contribution is 15% of pensionable salary. Benefits are based on contribution levels linked to investment returns over the period to retirement. Employees can, if they wish, make their own contributions up to HMRC limits. For 2021-22, employer's contributions of £2.3 million were payable to the scheme (2020-21: £2.1 million). For 2022-23, employer's contributions are expected to be £2.3 million.

15. Related Party Transactions

The Royal Collection Trust, Historic Royal Palaces, the Privy Purse and other Royal Households are regarded as related parties. Material transactions with these related parties during the year are summarised below. None is secured and all are settled in cash.

	2023	2022
	£m	£m
Income recovered from:		
The Royal Collection Trust	2.6	1.8
<i>Balance outstanding</i>	0.5	0.3
Privy Purse	0.8	0.5
<i>Balance outstanding</i>	0.3	0.1
Other Royal Households	1.6	1.5
<i>Balance outstanding</i>	0.2	0.4
Historic Royal Palaces	0.1	0.1
<i>Balance outstanding</i>	-	-

Recoveries include management fees charged by the Royal Household for various services including catering, cleaning and the provision of press office, internal audit, security liaison and information systems services.

In addition, recoveries made from The Royal Collection Trust include the Windsor Castle and Buckingham Palace facilities management charges, rent for accommodation, property refurbishment and maintenance services costs, utilities and staff costs.

Recoveries from the Privy Purse include rent for accommodation provided, repairs and maintenance services carried out by the Property Section, sales of plants to the Windsor Farm Shop and staff costs.

Recoveries from other Royal Households include rent for accommodation, property refurbishment and maintenance service costs, utilities and staff costs.

	2023	2022
	£m	£m
Expenditure charged by:		
The Royal Collection Trust	(0.1)	(0.1)
<i>Balance outstanding</i>	-	(0.1)
Privy Purse	(0.3)	(0.4)
<i>Balance outstanding</i>	-	-
Other Royal Households	(1.2)	(0.3)
<i>Balance outstanding</i>	(0.1)	(0.3)

Charges to the Royal Household include the purchase of horses and the costs of cleaning, accommodation, and utilities for official staff whilst at Balmoral and Sandringham.

None of the key staff employed by the Royal Household has undertaken any material transactions with the Sovereign Grant during the year.

The Sovereign Grant Accounts are consolidated within the Financial Statements of HM Treasury, a copy of which can be found on www.hm-treasury.gov.uk.

The Royal Household has had transactions with the following government department:

	2023 £m	2022 £m
Income recovered from:		
Ministry of Defence	0.1	-
<i>Balance outstanding</i>	-	-

Expenditure charged by:

	2023 £m	2022 £m
Ministry of Defence	(0.9)	(0.7)
<i>Balance outstanding</i>	(0.4)	-

Transactions directly attributable to related parties where an activity has been carried out on their behalf and the cash recovered, are included in the table below, but do not form part of the income and expenditure of the Sovereign Grant. Balances held as agent relate to cash received but not yet spent.

	2023 £m	2022 £m
Cash recovered from:		
The Royal Collection Trust	1.4	1.6
<i>Balance outstanding</i>	0.7	0.1
Privy Purse	0.7	0.2
<i>Balance outstanding</i>	0.5	0.1
Other Royal Households	0.4	0.3
<i>Balance outstanding</i>	0.1	-
Foreign, Commonwealth and Development Office	0.2	0.2
<i>Balance outstanding</i>	-	-
Cabinet Office	0.9	0.8
<i>Balance outstanding (held as agent)</i>	(0.1)	(1.0)
Department for Digital, Culture, Media & Sport	0.4	0.5
<i>Balance outstanding (held as agent)</i>	-	-

16. Buckingham Palace Reservicing

The amounts relating to Reservicing in the Income and Expenditure account are as follows:

Year to 31 March	2018-23 cumulative £m	2023 £m	2022 £m
Funding receivable¹:			
Grant	199.7	34.5	34.5
Income			
Property rental income	0.1	-	-
	0.1	-	-
Expenditure			
Payroll costs	(8.2)	(1.9)	(1.7)
Other staff costs	(11.5)	(1.9)	(2.4)
Housekeeping and hospitality	(0.2)	-	-
Property maintenance	(155.6)	(43.0)	(47.8)
Digital services	(1.0)	(0.4)	(0.3)
Depreciation	(3.9)	(1.4)	(1.4)
Other	(4.8)	(0.4)	(1.0)
	(185.2)	(49.0)	(54.6)
Total net expenditure	(185.1)	(49.0)	(54.6)
Sovereign Grant funding less net expenditure transferred (from)/to Sovereign Grant Reserve	14.6	(14.5)	(20.1)
Capital expenditure incurred net of depreciation	(15.4)		
Reserve carried forward	(0.8)		

¹ In accordance with the Accounts Direction issued by HM Treasury (See Appendix 3 page 126), funding received in respect of the Sovereign Grant (and any draw down from the Sovereign Grant Reserve) is recognised in the Statement of Income and Expenditure in the year.

17. Issue of Accounts

On 2 June 2023 the financial statements were approved by the Accounting Officer and Audit and Risk Assurance Committee and on 8 June 2023 were approved by the Lord Chamberlain's Committee for signature by The Keeper of the Privy Purse on 20 June 2023. The financial statements were authorised for issue on the date of certification by the Comptroller and Auditor General.

18. Events after the reporting period

There have been no significant events after 31 March 2023 that require adjustment to, or disclosure in the financial statements.

APPENDICES (THIS SECTION IS NOT SUBJECT TO AUDIT)

APPENDIX 1: ADDITIONAL NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE

Property maintenance

	2023 £m Core	2023 £m BPR	2023 £m Total	2022 £m Total
Projects				
• Construction	7.2	26.7	33.9	37.1
• Fees	1.0	16.0	17.0	20.5
Reactive maintenance	6.6	0.3	6.9	6.3
	<u>14.8</u>	<u>43.0</u>	<u>57.8</u>	<u>63.9</u>

Travel

	2023 £m Core	2022 £m Core
Air travel		
• Helicopters (includes operating lease payments)	1.8	2.3
• Fixed wing (large)	0.1	0.2
• Fixed wing (small)	0.9	0.6
• Scheduled	0.3	0.2
Rail travel (includes operating lease payments)	0.6	1.0
Motor vehicles	0.2	0.2
	<u>3.9</u>	<u>4.5</u>

Utilities

	2023	2022
	£m	£m
	Core	Core
Rates and council tax	1.5	1.4
Electricity	1.4	1.0
Gas	1.4	0.5
Water	0.2	0.3
	<u>4.5</u>	<u>3.2</u>

Housekeeping and hospitality

	2023	2022
	£m	£m
	Core	Core
Food and drink	1.5	0.6
Cleaning, laundry and other	0.9	0.7
	<u>2.4</u>	<u>1.3</u>

Other

	2023	2023	2023	2022
	£m	£m	£m	£m
	Core	BPR	Total	Total
Amortisation of software	-	-	-	0.1
Equipment purchase and hire	1.3	-	1.3	0.5
Insurance, legal advice and other professional services	4.0	0.2	4.2	2.0
Printing, postage and stationery	1.2	-	1.2	1.1
Other	1.4	0.2	1.6	1.6
	<u>7.9</u>	<u>0.4</u>	<u>8.3</u>	<u>5.3</u>

APPENDIX 2: FIVE YEAR INFORMATION

<i>Year to 31 March</i>	2023	2022	2021	2020	2019
	£m	£m	£m	£m	£m
Funding received:					
Grant	86.3	86.3	85.9	82.4	82.2
Income					
Property rental income	3.6	3.3	3.4	3.3	3.2
Facilities management charges	0.5	0.4	(0.2)	7.3	7.0
Recharges for functions and other income	5.7	6.2	6.2	9.6	7.6
	9.8	9.9	9.4	20.2	17.8
Expenditure					
Payroll costs	(27.1)	(23.7)	(24.1)	(24.4)	(23.2)
Other staff costs	(5.0)	(3.8)	(3.3)	(4.5)	(3.5)
Property maintenance	(57.8)	(63.9)	(49.5)	(38.3)	(37.8)
Travel	(3.9)	(4.5)	(3.2)	(5.3)	(4.6)
Utilities	(4.5)	(3.2)	(3.2)	(3.1)	(2.9)
Housekeeping and hospitality	(2.4)	(1.3)	(0.9)	(2.6)	(2.3)
Digital services	(4.0)	(3.2)	(3.7)	(4.2)	(3.8)
Depreciation	(4.3)	(3.4)	(3.3)	(2.3)	(2.0)
Other	(8.3)	(5.3)	(5.7)	(4.9)	(4.7)
	(117.3)	(112.3)	(96.9)	(89.6)	(84.8)
Total net expenditure	(107.5)	(102.4)	(87.5)	(69.4)	(67.0)
Sovereign Grant funding less net expenditure transferred (from)/to Sovereign Grant Reserve	(21.2)	(16.1)	(1.6)	13.0	15.2

PERFORMANCE INDICATORS AND OPERATING RATIOS

	2023	2022	2021	2020	2019
Suppliers paid within:					
15 days of receipt of invoice	46%	44%	46%	44%	45%
30 days of receipt of invoice	89%	87%	90%	90%	93%
Staff Numbers (average FTE)	517	491	508	513	463

APPENDIX 3: SOVEREIGN GRANT ACCOUNTS DIRECTION

This Accounts Direction is given by HM Treasury in accordance with Sections 2 and 4 of the Sovereign Grant Act 2011.

1. The Royal Household shall prepare accounts for the Sovereign Grant and Sovereign Grant Reserve for the year ending 31 March 2013 and for subsequent years comprising:
 - (a) an Annual Report;
 - (b) a statement of income and expenditure;
 - (c) a statement of comprehensive income and expenditure;
 - (d) a statement of financial position;
 - (e) a statement of changes in equity;
 - (f) a statement of cashflows; and
 - (g) a statement of the reserve fund,
including such notes as may be necessary for the purposes referred to in the following paragraphs.
2. Each of the said accounts shall be prepared on the historical cost basis and give a true and fair view of the income and expenditure, total recognised gains and losses and cash flows for the financial year and state of affairs as at the end of the year.
3. Subject to this requirement the accounts shall be prepared in accordance with the requirements of the Government Financial Reporting Manual (FReM) insofar as these are appropriate to the Sovereign Grant and are in force for the financial year for which the financial statements are to be prepared.
4. The application of the requirements of the FReM, the Companies Act 2006 (and where applicable Companies Act 1985) and other disclosure requirements is given in Schedule 1 attached.
5. This direction shall be reproduced as an appendix to the accounts.

Paula Diggle

Treasury Officer of Accounts

7 June 2013

SCHEDULE 1: ACCOUNTING AND DISCLOSURE REQUIREMENTS

Companies Act 2006 and Companies Act 1985 (“The Acts”)

1. The disclosure exemptions permitted by the Acts and any Schedules or Regulations thereto shall not apply to the Sovereign Grant accounts unless specifically approved by the Treasury.
2. The Acts require certain information to be disclosed in a Directors’ Report. To the extent that it is appropriate, information relating to the Sovereign Grant and Sovereign Grant Reserve shall be contained in the Operating and Financial Review for the financial year, which shall be signed and dated by the Keeper of the Privy Purse or other proper officer.
3. The Royal Household shall take into consideration the requirements of The Acts as they apply to non-quoted companies (to the extent they can be applied to the circumstances of the Sovereign Grant).
4. When preparing the statement of comprehensive income for the Sovereign Grant accounts, the Royal Household shall have regard to the requirements of the profit and loss account Format 2 as prescribed in Schedule 4 to the Companies Act 1985 and for periods beginning after 6 April 2008, the subsequent re-enactment.¹
5. When preparing the statement of financial position for the Sovereign Grant accounts the Royal Household shall have regard to the balance sheet Format 1 prescribed in Schedule 4 to the Companies Act 1985 and for periods beginning after 6 April 2008 the subsequent re-enactment. The balance sheet totals shall be struck at “Net Assets” and signed and dated by the Keeper of the Privy Purse.
6. Assets held in right of the Crown shall not be recognised within the Sovereign Grant, although expenses relating to their use and maintenance shall be included.
7. The Sovereign Grant accounts are not required to provide the additional historical cost information prescribed in paragraph 33(3) of Schedule 4 to the Companies Act 1985 and for periods beginning after 6 April 2008, the subsequent re-enactment.

Financial Reporting Manual (FReM)

8. The following exceptions to the requirements of the FReM are appropriate to the Royal Household and have received the consent of the Treasury:
 - (a) Funding received in respect of the Sovereign Grant (and any draw down from the Sovereign Grant Reserve) is not required to be taken to Reserves but may be recognised in the Statement of Income and Expenditure in the year in which received;
 - (b) The FReM interpretation of IAS 16 for the public sector context that requires all tangible non-current assets to be carried at valuation at the reporting period need not apply. The provisions of IAS 16 relating to measurement of tangible fixed assets at cost and valuations by class of asset may therefore be applied in order to give a true and fair view.

Other disclosure requirements

9. The Annual Report and accounts shall, inter alia:
 - (a) State that the accounts of the Sovereign Grant and Sovereign Grant Reserve have been prepared in accordance with this Accounts Direction;
 - (b) Include a Statement of the Keeper of the Privy Purse financial responsibilities in respect of the Sovereign Grant;

Contained in the Statutory Instrument SI 2008 No. 410 “The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008” which came into force on 6 April 2008. The provisions of Schedule 4 to the Companies Act 1985 remain in force for accounting periods beginning before that date.

(c) Include a Governance Statement which should refer to compliance with The Sovereign Grant Act 2011 or the provisions of the Royal Household's Framework Agreement with the Treasury as appropriate;

(d) Include a Remuneration Report for those members of the Royal Household whose remuneration is funded from the Sovereign Grant

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