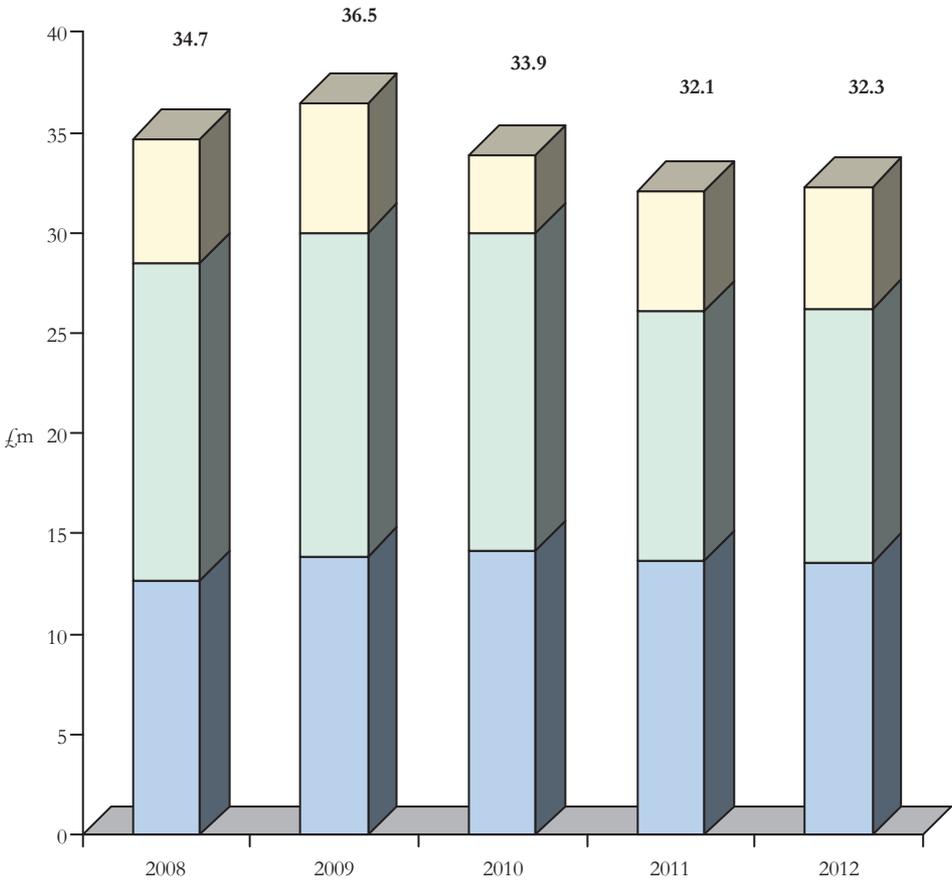


# ROYAL PUBLIC FINANCES

## Five Years to March 2012



KEY<sup>1</sup>

-  The Queen's Civil List
-  Grant-in-aid for Property Services and Communications and Information
-  Grant-in-aid for Royal Travel by Air and Rail

<sup>1</sup> The above colours correspond to those applied to the separate sections of this document.



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# ROYAL PUBLIC FINANCES

<i>Year to 31 March</i>	<b>2012</b>	2011
	<b>£m</b>	£m
The Queen's Civil List <sup>1</sup>	<b>13.6</b>	13.7
Grants-in-aid:		
Property Services	<b>12.2</b>	11.9
Communications and Information	<b>0.4</b>	0.5
Royal Travel	<b>6.1</b>	6.0
	<hr/> <b>32.3</b> <hr/>	<hr/> 32.1 <hr/>

The Queen's official expenditure is met from public funds in exchange for the surrender by The Queen of the revenue from the Crown Estate. In the year to 31 March 2011, Crown Estate income surrendered amounted to £231 million (2009-10: £210 million). Official expenditure for 2011-12 has increased by 0.6% in absolute terms and decreased by 3.0% in real terms compared to the previous year. The increase is mainly due to increased expenditure on property maintenance offset by increased income generation. Over the past 5 years official expenditure has reduced by 24.0% in real terms.

Expenditure on The Queen's Civil List and Grants-in-aid includes £2.7 million of VAT (2010-11: £2.0 million).

The above figures for The Queen's Civil List and the Grants-in-aid are based on audited figures, the accounts of which are included in this report.

A chart showing The Queen's official expenditure for the past five years is set out on page 1.

<sup>1</sup> Figures are for calendar years 2011 and 2010

## THE QUEEN'S DUTIES

The Queen's duties as Head of State include:

- undertaking constitutional duties, for example the State Opening of Parliament, regular audiences with the Prime Minister, meetings of the Privy Council, giving Royal Assent to legislation and approving many appointments;
- fulfilling constitutional responsibilities in relation to the Scottish Parliament and, where appropriate, the Welsh and Northern Ireland Assemblies;
- carrying out State and Royal Visits overseas and receiving State and Official visitors to the United Kingdom;
- receiving credentials from foreign Heads of Mission; and
- presenting honours at Investitures.

In addition, the role of The Queen, supported by members of the Royal Family, extends more widely than these formal duties and includes:

- providing a focus for national identity, unity and pride (for example on Remembrance Sunday and at times of national celebration or tragedy);
- providing a sense of stability and continuity (for example by participating in traditional ceremonies such as Trooping the Colour);
- recognising success, achievement and excellence (for example through visits, receptions and awards); and
- contributing through public service and the voluntary sector to the life of the nation; in this area The Queen is particularly supported by the work of other members of the Royal Family (for example The Prince's Trust and The Duke of Edinburgh's Award Scheme).

## THE QUEEN'S CIVIL LIST

The eleventh published annual accounts for the Civil List, which are for the year to 31 December 2011, are set out in this report. The accounts are prepared in a form directed by The Treasury Officer of Accounts, in accordance with Section 9 of the Civil List Audit Act 1816.

Further information on the historical and legislative background for the Civil List can be found on the official website of the British Monarchy, [www.royal.gov.uk](http://www.royal.gov.uk).

The detailed annual report showing how the Civil List has been spent during 2011 is shown in pages 41 to 58 of this report.

The Civil List does not fund the official duties of The Prince of Wales, Duchess of Cornwall, Duke and Duchess of Cambridge and Prince Harry or other members of the Royal Family which are met from income from the Duchy of Cornwall and the Privy Purse respectively.

## GRANTS-IN-AID

The Royal Household's objectives in managing Property Services in the Occupied Royal Palaces and Communications and Information expenditure are set out in the Memorandum of Understanding between the Lord Chamberlain and the Permanent Secretary of the Department for Culture, Media and Sport and the Financial Memorandum, both dated 28th September 2006.

## **Property Services**

The Property Services Grant-in-aid is the annual funding provided by the Department for Culture, Media and Sport to the Royal Household to meet the cost of property maintenance, and of certain utilities and related services, at:

- 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.

These properties are referred to as the "Occupied Royal Palaces" or the "Estate" with an aggregate floor area estimated at approximately 160,000 square metres. The Buckingham Palace, St James's Palace and Windsor Castle State Apartments, together with offices, service areas, workshops, stores, coach houses, stables and garages, represent approximately 75% of the total area. In addition some 211 properties allocated for residential use mainly by staff and pensioners of which 27 properties are used as communal residential accommodation for staff.

The Occupied Royal Palaces are held in trust for the nation by The Queen as Sovereign. Their maintenance and upkeep is one of the expenses met by the Government in return for the surrender by the Sovereign of the Hereditary Revenues of the Crown (principally the net income surplus from the Crown Estate). The Department for Culture, Media and Sport has overall responsibility for the maintenance of and provision of services to the Occupied Royal Palaces, although from 1 April 1991, management and operating responsibility was transferred to the Royal Household.

The Occupied Royal Palaces are 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 Queen. The Queen invited approximately 69,000 guests (2010-11: 76,000) to the Palaces and there were approximately 2.2 million (2010-11: 1.9 million) paying visitors. There were 4 garden parties at Buckingham Palace in 2011-12 (2010-11: 6). The net contribution from admitting visitors to the Occupied Royal Palaces after charges for the use of Windsor Castle and Buckingham Palace and the associated maintenance costs goes towards the upkeep, conservation and presentation of the Royal Collection (see reference on page 9 and The Royal Collection Trust Annual Report which is published separately).

## **Communications and Information**

The Royal Communications and Information Grant-in-aid is the annual funding for communication and information services for official royal functions and engagements.

The Royal Household incurs expenditure developing and running the communications programme, maintaining a Press Office (to liaise with and provide information to the Press and other media), developing the British Monarchy's web site, providing information officers to administer press arrangements at royal engagements and visits in England and Scotland, and providing general and educational information to the public. General Press Office costs and expenditure incurred in developing and running the communications programme are charged to the Civil List. Other costs are charged to the Royal Communications and Information Grant-in-aid. The division of costs between the two funding sources is historic.

## **Royal Travel**

The Royal Travel Grant-in-aid is the annual funding provided by the Department for Transport to meet the cost of official royal travel by air and rail.

The Memorandum of Understanding dated 25th March 1997 between the Lord Chamberlain and the Permanent Secretary of the Department of Transport (now the Department for Transport – “the Department”), sets out the basis on which the Royal Household should use and account for the annual Royal Travel Grant-in-aid provided to it by the Department. The Memorandum of Understanding requires the Private Secretary to The Queen and the Keeper of the Privy Purse, the Royal Household officials with responsibility for the Grant-in-aid, to account for its stewardship in an annual report.

It is an important part of The Queen's role as Sovereign, supported by other members of the Royal Family, to act as a focal point for national life and to bring people together across all sectors of society. In carrying out this role the Royal Family receives thousands of invitations each year from or on behalf of Government, the Church, local authorities and the Armed Services, and a wide range of individual organisations across the private, public and voluntary sectors.

In 2004-05 it was agreed between UK Trade & Investment (UKTI) and the Department for Transport that the costs of The Duke of York's official overseas travel as Special Representative of UKTI should be met by the Grant-in-aid. From 2011-12 the work of representing UKTI overseas will not be undertaken exclusively by The Duke of York but also by other members of the Royal Family.

Detailed accounts showing how the Grants-in-aid have been spent during 2011-12 are shown on pages 59 and 91 of this report.

## EXPENDITURE FUNDED FROM OTHER SOURCES

### **Duchy of Lancaster**

Income from the Duchy of Lancaster funds the Privy Purse. It is The Queen's private income which after tax is largely used by Her Majesty to meet official expenditure. Accounts for the Duchy of Lancaster are presented to both Houses of Parliament annually.

### **Duchy of Cornwall**

Income after tax from the Duchy of Cornwall funds the official duties of The Prince of Wales, Duchess of Cornwall, Duke and Duchess of Cambridge and Prince Harry. Accounts for the Duchy of Cornwall are published and laid before Parliament annually.

### **The Royal Collection**

The Royal Collection consists of works of art of all kinds and is held by The Queen as Sovereign in trust for Her successors and for the Nation. All costs, except for some building occupancy costs, are met by The Royal Collection Trust from visitor admissions to the Occupied Palaces and from related activities. The Royal Collection Trust receives no funding from the Government or the National Lottery. Around five million people saw items from the Royal Collection in royal palaces during 2011-12 and many more people saw items from the Royal Collection on loan to museums and galleries around the world. An annual report is published by The Royal Collection Trust, copies of which are available on-line at [www.royalcollection.org.uk](http://www.royalcollection.org.uk).

*Further information is available on [www.royal.gov.uk](http://www.royal.gov.uk)*

# MANAGING THE ROYAL HOUSEHOLD

Continuing improvement is an important part of the Royal Household's approach, and it operates in a businesslike 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 Queen's Household are as follows:

- 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 and advise 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 efficient use of our financial resources
- Ensure internal business process and infrastructure provides appropriate support and continues to develop

## SENIOR MANAGEMENT

The leadership of The Queen's Household is the responsibility of the Lord Chamberlain and the five Heads of the Household's Departments, reporting to The Queen. The Lord Chamberlain, the Heads of Department and two non-executive members are collectively referred to as the Lord Chamberlain's Committee.

The Lord Chamberlain's Committee meets formally approximately once a month. Its members are as follows:

- Lord Chamberlain - The Rt Hon. The Earl Peel

Heads of Departments:

- Private Secretary to The Queen - The Rt Hon. Sir Christopher Geidt
- Keeper of the Privy Purse - Sir Alan Reid
- Master of the Household - Air Marshal Sir David Walker
- Comptroller, Lord Chamberlain's Office - Lt Col. Andrew Ford
- Director of the Royal Collection - Jonathan Marsden

Non-executive members:

- Private Secretary to The Duke of Edinburgh - Brigadier Archie Miller-Bakewell
- Principal Private Secretary to The Prince of Wales and The Duchess of Cornwall - Sir Michael Peat (to 30 September 2011)  
- William Nye (from 1 October 2011)

The Lord Chamberlain's duties are not full-time.

The division of responsibilities across the Grants-in-aid and Civil List funding sources is as follows:

	The Civil List	Property Services and Communications and Information	Royal Travel
	<b>The Lord Chamberlain</b>		
<b>Private Secretary to The Queen</b>	Private Secretaries, Secretariat, Press Office, Information Assurance, Security Liaison	Communication and Information Policy	Travel Policy
<b>Keeper of the Privy Purse</b>	Finance, Personnel, IT and Telecoms, Internal Audit	Supervision and Direction, Fire, Health and Safety Services, Communication and Information, Finance	Travel Finance
<b>Master of the Household</b>	Event Management, Catering and Hospitality, House Management, Logistics	Craftsmen	
<b>Comptroller, Lord Chamberlain's Office</b>	Ceremonial, Royal Mews, Medical, Ecclesiastical		Travel Operations, Security and Safety

Within the Royal Household, the Communications and Press Secretary is responsible for organising the provision of communications and information services and is supported in financial matters by the Deputy Treasurer to The Queen.

The Comptroller, Lord Chamberlain's Office, supported by the Director of Royal Travel, is responsible for organising the provision of travel services and for the in-house helicopter operation and is supported in financial matters by the Deputy Treasurer to The Queen.

## REMUNERATION REPORT

The Royal Household Remuneration Committee is responsible for setting the salaries of The Rt Hon. The Earl Peel, The Rt Hon. Sir Christopher Geidt and Sir Alan Reid. The Royal Household Remuneration Committee has the following members:

- The Cabinet Secretary - The Rt Hon. The Lord O'Donnell (to 31 December 2011)
  - Sir Jeremy Heywood (from 1 January 2012)
- The Permanent Secretary to the Treasury - Sir Nicholas Macpherson
- The Lord Chamberlain - The Rt Hon. The Earl Peel
- Treasury Officer of Accounts and Secretary to the Committee - Paula Diggle

The salary of Lieutenant Colonel Andrew Ford is set with reference to Senior Civil Service pay scales. For the 2011-12 financial year it was decided that no pay rises would be awarded for Royal Household employees earning over £21,000 and accordingly he received no increase in the year. However, his role was enhanced during the year to include responsibility for Royal Travel and he received an appropriate increase in salary.

Air Marshal Sir David Walker was seconded from the Ministry of Defence on a contract that terminated on 31 August 2011. From 1 September 2011 he is employed directly by the Royal Household. The salary shown below is his secondment cost charged to the Civil List up to 31 August 2011 and his salary cost paid by the Royal Household thereafter.

All other members of the Lord Chamberlain's Committee are appointed on permanent contracts and have notice periods of between three and six months. There are no specific provisions for termination payments.

The non-executives receive no remuneration in respect of their duties as members of the Committee.

Salaries for 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), are shown below.

<i>Year to 31 March</i>	<b>Salary</b>		<b>Pension Payments</b>	
	<b>2011-12</b>	2010-11	<b>2011-12</b>	2010-11
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
The Rt Hon. The Earl Peel	<b>82</b>	82	<b>12</b>	12
The Rt Hon. Sir Christopher Geidt	<b>146</b>	146	<b>22</b>	22
Sir Alan Reid	<b>180</b>	180	<b>34</b>	34
Air Marshal Sir David Walker	<b>120</b>	123	<b>31</b>	48
Lt Col. Andrew Ford	<b>109</b>	103	<b>16</b>	15

As part of centrally provided risk benefit cover for employees within the Defined Contribution (Stakeholder) Pension Scheme, up to 0.46% of pensionable salary is contributed for death-in-service and income replacement schemes.

Jonathan Marsden, Director of the Royal Collection, is not included in the above table because he is paid by The Royal Collection Trust.

There are no accrued annual pensions as the payments made were not to any of the Royal Household defined benefit pension schemes.

The Committee members' performance is assessed by The Lord Chamberlain through an annual appraisal process.

**The Rt Hon. The Earl Peel**

The Lord Chamberlain

7 June 2012

## OPERATING APPROACH

### **The Civil List**

The Royal Household's overriding aim in managing the Civil List is to give excellent support to The Queen to enable Her Majesty to serve the nation as Head of State, while ensuring that value for money is achieved.

Continuing improvement is an important part of the Royal Household's approach together with being a good employer and providing good conditions and job satisfaction, operating in a business like and professional manner with a strong emphasis on value for money, recruiting from across all sections of the community, and being open and accountable in the use of public funds and resources.

### **Property Services**

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. It receives its Grant-in-aid via the Department for Culture, Media and Sport which sets three main objectives in managing property services, as follows:

- (a) to maintain the Occupied Royal Palaces as buildings of State to a standard consistent with the Household's operational requirements and with the royal, architectural and historic status of the buildings in a manner which ensures value for money; and to that end
- (b) to organise and obtain works and other property services in the most economic, efficient and effective way and to achieve financial and other performance targets; and
- (c) to seek to contract in the most economical and efficient manner for the supply of all services.

The Property Section has divided these into operating objectives, which focus on:

- conserving, repairing and maintaining the estate in a professional manner;
- recruitment, retention and development of professional staff;
- development of a culture of health and safety across the Household;
- ensuring best value for money is obtained;
- maximising opportunities for generating income to supplement the Grant-in-aid; and
- reducing the Household's carbon footprint.

The Property Section seeks to set the highest standards in terms of quality of design and building work, efficiency and cost effectiveness. An emphasis on improvement is maintained through effective management and internal communication, setting and making clear the high standards to be achieved in each area, giving managers clear areas of responsibility and well defined performance targets, providing appropriate and well focused training, and maximising job satisfaction. A small specialist team of staff is responsible for planning and supervising the property maintenance work and for buying in services in the most appropriate and cost-effective manner, supported by a minimum number of in-house maintenance and other non-supervisory staff.

The approach of the Property Section, subject to funding constraints, is based on pre-planned preventative maintenance and conserving (and wherever possible enhancing) 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 English Heritage, and the use of contractors with appropriate experience;
- a programme of regular checks, tests and inspections;
- condition assessments recorded on a web based system developed by Defence Estates that assist in determining maintenance priorities across the Estate and monitoring changes in the overall condition of the Estate;
- the operating requirements of the Departments of The Queen's Household and of the other Households and organisations which use the buildings; and
- new legislation and regulations as they affect, inter alia, construction, fire precautions and health and safety.

The work of the Property Section is governed by a comprehensive set of procedures referred to as "Desk Instructions". These cover items such as project justifications, planning and specification, competitive tendering, the commissioning and management of contractors and design team consultants, fire precautions, and the control and authorisation of provisional sums, contract variations, overruns and Construction (Design and Management) Regulations. All projects with a construction cost of £3,500 or more are individually detailed in an Annual Works Programme showing projected and actual costs, which is updated on a monthly basis.

## **Royal Communications and Information**

The Royal Household's objectives in managing Royal Communications and Information are:

- (a) to seek to contract in the most economic and efficient way for the supply of communications and information services, consistent with the requirement to provide clear and comprehensive communications and information about royal functions and engagements; and
- (b) to ensure that members of the Household take financial considerations fully into account when framing, reaching or giving effect to decisions which bear upon the Grant-in-aid.

The Queen's engagements throughout England, Scotland and Wales are covered by the Buckingham Palace Press Officers and a Press Officer at the Palace of Holyroodhouse.

The British Monarchy website ([www.royal.gov.uk](http://www.royal.gov.uk)) is a primary source of reference for media and members of the public. It contains information on the work and constitutional role of The Queen, biographies of members of the Royal Family, and the history and use of Royal Palaces, as well as media announcements and a history section on the English, Scottish and United Kingdom Crowns.

## **Royal Travel**

The Royal Household's objectives in managing Royal Travel expenditure are:

- (a) to seek to contract in the most economic and efficient way for the supply of air and rail services, consistent with safety, security, and other requirements of Royal Travel; and
- (b) to ensure that members of the Household take financial considerations fully into account when framing, reaching, or giving effect to decisions which bear upon the Grant-in-aid.

The Grant-in-aid meets the cost of official journeys undertaken by or in support of members of the Royal Family by air and rail. Travel by senior members of the Royal Family between residences is categorised as official.

Safety, security, presentation, 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 tours is determined by the FCO and UKTI, and approved by the Royal Visits Committee.

The Royal Visits Committee is a Cabinet Committee, chaired by the Permanent Under Secretary and comprising the Private Secretaries to The Queen, The Prince of Wales and No. 10, the Chief Executive of UKTI and the Director of Protocol, Foreign and Commonwealth Office.

## EMPLOYMENT POLICIES

The Royal Household's employment policies and practices have been developed to support the Household's objectives and associated business plans, and to encourage a motivated, adaptable and skilled workforce. As evidence of this commitment to the alignment of its people practices to support achievement of its organisational goals, and to measure its performance against an external standard, the Royal Household sought and achieved Investors in People (IiP) accreditation in 2010.

The Household is committed to equality of opportunity. Diversity of both applicants and employees is promoted, with candidates sought from all sections of the community, responding to advertisements placed in national, regional and specialist media and a wide range of web sites. The majority of recruits to the Household now apply over the internet, submitting electronic applications, ensuring the widest possible trawl of candidates and that selection decisions are made on standardised information. The effectiveness of the Household's Equal Opportunities Policy is monitored.

The Household has introduced a number of wellbeing initiatives with the aim of fostering a culture of motivation and engagement, promoting healthy lifestyles and encouraging the retention of key staff. These include the formation of a Welfare and Lifestyle Committee with staff representatives, the promotion of the Royal Household Football, Sports and Social Club and the implementation of flexible working, as well as various health and fitness initiatives.

Staff consultation is a key element of the Royal Household's employee relations strategy, with a number of channels of communications including intranet, briefings, a staff survey conducted every three years, regular small focus groups and discussions and updates on the performance of the Household delivered by the Lord Chamberlain and Heads of Department. Staff are kept informed on progress made by the Royal Household and are encouraged to contribute ideas and to give feedback to senior management, with the aim of continuously improving services and standards. All staff paid from public funds receive a summary copy of this report, highlights of which are published on the intranet.

All staff participate in an annual review to assess performance against objectives and a competency framework, and each employee is encouraged to commit to a personal development plan prepared jointly with his or her manager. Career opportunities are advertised internally with up to a third of all vacancies filled in this way.

The average number of days of employee absence due to sickness was 4.6 days (2010-11: 4.1 days).

## LEARNING AND DEVELOPMENT

Considerable emphasis is placed on training, which is provided both in-house and through external organisations. The range of opportunities for learning and development extends from Institute of Leadership and Management qualifications for supervisors and managers, through to highly specialised courses for Royal Travel helicopter pilots. Similarly the medium and format for delivery is very diverse, with breakfast workshops, lunch-time learning sessions and “Learning at Work” days, as well as residential programmes and a developing e-learning facility and resource library. Specialist IT training focusing on enhancing IT capability is also available to all staff.

## SUSTAINABILITY AND SOCIAL RESPONSIBILITY

The Royal Household has a Sustainability and Social Responsibility Policy and is committed to considering the economic, social and environmental impact of its activities. In particular, the Director of Property Services reports on measures to:

- reduce the consumption of materials and energy;
- use renewable or recycled materials;
- encourage employees to take responsibility for and participate in good environmental practices; and
- manage the activities of the Royal Household in an environmentally sensitive manner.

The Royal Household is also supportive of employees who are involved in charitable and voluntary activities and offers special leave for this purpose.

## SUPPLIER PAYMENT PERFORMANCE

The Royal Household aims to meet the following performance targets when paying its suppliers:

Percentage paid within:

- 30 days 85
- 40 days 95
- 50 days of receipt of invoice 97

The performance of the Civil List against these targets can be found on page 58, Property Services on page 62 and Royal Travel on page 105.

## FIRE HEALTH AND SAFETY

### **Fire Safety**

Automatic fire detection systems are installed throughout the Estate and are monitored continually to ensure they work effectively. The systems are maintained under preventative term contracts which are competitively tendered every three to five years. Systems are regularly reviewed to ensure that they remain suitable for the risk.

Automatic fire suppression systems incorporating water sprinklers and drenchers and fixed installations using foam or inert gas are installed in kitchens and other high risk areas to augment the provision of structural fire compartmentation.

Fire risk assessments and inspections are undertaken on a regular basis, initially using independent consultants, with follow-up inspections by in-house fire safety officers in accordance with the Fire Regulatory Reform Order. In addition, each department has a nominated fire marshal.

The fire safety strategies used within the Royal Household continue to rely on effective fire prevention, early detection, training, regular fire drills, active and passive protection methods and risk management. The opportunity is taken to incorporate new technologies and identified best practice into fire safety systems, policies and procedures.

### **Health and Safety**

Health and Safety within the Royal Household is coordinated by the central Health and Safety Branch. This team is supported by first aiders and health and safety representatives within all departments across the Royal Household. Proactive consultation is undertaken throughout the year, with the team giving advice through workplace inspections and risk assessment. A Health and Safety Committee Meeting takes place in London, Windsor and Edinburgh once a year.

The Royal Household's Health and Safety Policy documentation provides comprehensive procedures to ensure that high standards of health and safety management are maintained. The health and safety culture throughout the Royal Household, whilst improving, is under continual review and supplemented by training from both in-house and external sources. Communicating a positive approach to health and safety remains the current focus of attention.

The branch occasionally undertakes the role of Construction Design & Management Coordinator on projects that fall within the requirements of the Construction (Design and Management) Regulations 2007. Generally, however, projects are contracted to competent consultants.

## INFORMATION SECURITY AND MANAGEMENT

The Royal Household has suffered no protected personal data loss during 2011-12 and has made no report on such an incident to the Information Commissioner's Office.

# OPERATING AND FINANCIAL REVIEW

## OVERVIEW OF THE YEAR

The Royal Household, in addition to enabling The Queen to undertake Her Majesty's constitutional duties as Head of State, helped support The Queen in fulfilling a programme of tours, garden parties, receptions and official entertaining.

## THE CIVIL LIST

In 2011 The Queen undertook 325 public engagements in the United Kingdom and 45 overseas engagements whilst The Duke of Edinburgh undertook 330 official engagements. Highlights of Her Majesty's schedule included:

- In April Her Majesty and His Royal Highness visited RAF Valley in Holyhead, Anglesey. During the visit they saw the Search and Rescue base and were given a tour of a Sea King helicopter by The Duke of Cambridge.
- An inward State Visit was made by the President of the United States of America and Mrs Obama in May.
- Her Majesty and His Royal Highness made a State Visit to the Republic of Ireland in May at the invitation of the President of Ireland, Mary McAleese. It was the first visit by a British Head of State to the Republic of Ireland.
- In May Her Majesty gave a Reception at Buckingham Palace for Young People in the Performing Arts.
- In June Her Majesty officially opened the fourth term of the Welsh Assembly.
- Her Majesty and His Royal Highness visited Australia in October where they attended the Commonwealth Heads of Government Meeting for which the theme this year was "Building National Resilience, Building Global Resilience". Preceding the tour Her Majesty gave a Reception at Buckingham Palace for Australians living in the United Kingdom.
- In November Her Majesty gave a Reception at Buckingham Palace for members of the media to mark the Diamond Jubilee.
- In December Her Majesty gave a Reception at Buckingham Palace to recognise Exploration and Adventure.
- Other parts of the United Kingdom that Her Majesty visited included: Liverpool, the Isles of Scilly, Stirling and Warwickshire.
- There were 26 (2010: 25) Investitures at Buckingham Palace, the Palace of Holyroodhouse and Windsor Castle during which around 2,500 (2010: 2,500) people received honours. A Diplomatic Reception was held in December 2011 at Buckingham Palace; approximately 1,000 diplomats and British guests attended.
- The Queen also entertained around 33,000 people (2010: 41,000) at five (2010: seven) Garden Parties held at Buckingham Palace and the Palace of Holyroodhouse.

## SOVEREIGN GRANT AND REPORT OF THE ROYAL TRUSTEES

The Sovereign Grant Act 2011 which comes into effect from 1 April 2012 consolidates the funding provided to support the official duties of The Queen and maintain the Occupied Royal Palaces that up until 31 March 2012 has been provided under the Civil List and the Grants-in-aid for the Maintenance of the Occupied Royal Palaces, Royal Travel and Communications and Information.

The Sovereign Grant is set at £31.0 million for 2012-13 and thereafter will be calculated based on 15% of the Treasury revenue from The Crown Estate.

Section 5 of the Civil List Act 1972 requires the Royal Trustees (the Prime Minister, the Chancellor of the Exchequer and the Keeper of the Privy Purse) to report on Civil List expenditure at least once every ten years. The 2001 – 10 Report of the Royal Trustees on Civil List expenditure was published on 22 June 2010 and the final Report of the Royal Trustees covering the fifteen month period 1 January 2011 to 31 March 2012 will be published in July 2012.

## FINANCE

During 2011 Finance operations and reporting were reviewed in preparation for the new Sovereign Grant funding arrangements from 1 April 2012. A new chart of accounts was developed and budgets were prepared for the new entity created by the aggregation of the separate funding sources. In addition, work was undertaken to evaluate the adjustments required for the transition from reporting under UK GAAP to reporting under International Financial Reporting Standards (IFRS) for 2012-13 and to prepare the comparative opening position as at 1 April 2011. Both the Finance operations and reporting team structures were reviewed in order to realise efficiencies from the aggregation of the separate funding sources.

## INFORMATION SYSTEMS MANAGEMENT (ISM)

In 2011 the ISM team designed and implemented a real-time software patching solution and a private cloud platform for all the Royal Household's websites and key business systems. A new on-line anniversaries and birthdays system for use by the public was also developed and implemented. This development was significant in that it is the first of the Royal Household's key business systems to be fully linked to the internet.

## INFORMATION SECURITY AND MANAGEMENT

During 2011, work on compliance with ISO 27001 and HM Government's Information Assurance Maturity Model continued. As part of this work, the Household rolled out a comprehensive Information Assurance training programme which included training for Data Owners and other employees with particular Information Assurance responsibilities.

## PERSONNEL

Progress has been made towards re-accreditation for Investors in People with an enhanced internal communications programme and the delivery of training and development courses underpinning achievement of Royal Household objectives. Three tiers of management development (Chartered Management Institute Level 2 and 3 and Institute of Leadership and Management Level 5) are now accredited and 44 managers achieved certification in 2011 with further programmes planned for up to 70 staff in 2012.

## PROPERTY SERVICES

The Property Services Grant-in-aid remained at £15 million from 1999-00 until 2009-10. Following the Chancellor of the Exchequer's announcement of spending cuts on 24 May 2010, the Property Services Grant-in-aid reduced by £0.4 million to £14.6 million in 2010-11 and remained unchanged in 2011-12. This therefore represents a reduction of 69% in real terms since 1999-00.

The introduction of the new funding arrangements for the Royal Household in the form of the Sovereign Grant from 2012-13 will continue to present challenges for the Property Section. Accordingly, the Royal Household continues to pursue opportunities to reduce costs and generate income from the Estate's assets. In 2011-12 income from facilities management charges and commercial lettings increased by 17% from £4.5 million to £5.3 million. It is the aim that continued progress with income generation from rental income, event charges and income from The Royal Collection Trust for the use of the Occupied Royal Palaces will enable the Annual Works Programme to be maintained at a level which will contribute to reducing the backlog in essential maintenance.

## MAJOR PROJECTS IN THE YEAR

In 2011-12 a total of 38 revenue funded projects over £3,500 in value were carried out across the estate. Six of these projects had a construction works spend in excess of £250,000 in the year and individually accounted for 37% of the total project spend across the whole estate.

### **Removal of Asbestos in the Basement Floor Ducts, South Wing of Buckingham Palace (£0.7 million works, £0.1 million fees to date)**

The mechanical and electrical services at Buckingham Palace were largely installed in 1949 and are in need of replacement. The mains are distributed around the Palace from central plant rooms in ducts that run under the basement floor of three of the four wings. This project involves the South wing and comprises the removal of the cover of each duct; clearance of asbestos contamination; removal of redundant mains cabling; and dressing back of retained cabling on proper supports. The cover of each duct was replaced with a new tray that provides greater access to ease the future replacement of cables serving main fuse boards and the linoleum flooring was replaced.

### **External Repair of ‘D’ Tank Housing at Buckingham Palace (£0.3 million works)**

Buckingham Palace has a number of cold water storage tanks at roof level, all known by a letter prefix. ‘D’ tank is located to the North of the Grand Entrance and comprised a large sectional cast iron tank within a screen enclosure. The sections of the cast iron tank were aged and over sized, which meant that regular water quality tests showed an increased risk of bacteria build up, due to the likelihood of standing water in the tank. The existing enclosure was removed to allow safe dismantling of the sections of the existing tank, which were bolted together, and the sections were then removed by mobile crane. New tanks were installed on new steelwork, which was then clad with plywood painted to match the existing enclosure.

### **External Repair of the Quadrangle Roof, Buckingham Palace Mews (£0.3 million works)**

The Royal Mews Quadrangle was built by John Nash in the 1820’s, with Bath stone and brick elevations under a lead and slate roof. This project involved the renewal of the roof coverings to the South side of the Quadrangle, replacing all of the slates, many of which had slipped and were at the end of their life, and renewing the lead gutters and flat roof, which had been repeatedly patched where they had split. A scaffold was erected to each side of the wing and the existing coverings were removed in sections and covered immediately to minimise the risk of water ingress.

### **Replacement of Boilers in the Colour Court Boiler House, St James’s Palace (£0.4 million works)**

Heating and hot water for properties surrounding Colour Court is provided by a central boiler house on the North side of the courtyard. Two of the three boilers had failed, so they were replaced with a modern boiler and controls package featuring fully modulating, high efficiency boilers to provide improved operational flexibility and efficiency. At the same time, some large capacity hot water storage cylinders were replaced by plate heat exchangers and buffer vessels to improve boiler efficiency and reduce associated water hygiene (legionella) risks. The installation was designed to allow each property to operate individually and have the capability of being served in an emergency from an alternative source without being over engineered or compromising the alternative heating systems. Energy consumption was also assessed to reduce system standing losses and individual meters were installed to monitor and bill gas consumption. On completion, the boiler house was connected to the existing Building Energy Management Control System network in Buckingham Palace.

### **Renewal of Lead Roofing, Augusta Tower Windsor Castle (£0.4 million works)**

This project continued the programme of renewal of lead roofs in the Upper Ward and was prioritised because of leaks through the aged cast lead coverings. A large scaffold and temporary roof was erected spanning over the Grand Corridor and the upper level rooms. Existing coverings were removed and boarding was replaced following minor repairs to the timber roof structure. New milled lead was laid to revised falls to suit current codes of practice.

### **External Repairs of North Side State Rooms at Windsor Castle (£0.3 million works to date)**

This important roofing project comprises three distinct phases which share a common scaffolding and temporary roof structure.

Phase one comprises the removal of a 20th century toilet block extension over the Queen's Audience Chamber which had become unstable due to severe corrosion of the compound iron beams which supported it. Careful piece by piece removal was followed by phase two, the replacement of the lead roof below to complete the roofing works over the Audience Chamber which was carried out in the previous year.

Phase three is a straightforward replacement of an ageing lead roof over four guest bedrooms on the Northside of the Castle. The existing structure is being adapted to improve drainage details and provide additional ventilation. The discovery of significant beetle attack, masked by extensive internal fire protection, has also added a significant structural element to this phase of the project.

### **FEES**

The Property Section has a relatively small in-house staff and, for more complex projects and for those with a construction cost of approximately £0.1 million or more, external architects, structural engineers, mechanical and electrical engineers and quantity surveyors are employed. The majority of design and contract documentation was undertaken by external architects and other consultants for 41 of the 138 projects in progress during the year (2010-11: 25 out of 113). The 2011-12 fee ratio for the projects, including the appropriate proportion of in-house supervision costs, was 7.5% (2010-11: 7.8%). The overall ratio, including smaller projects, for which the architectural and other services are largely provided by in-house staff, was 19.3%, as mentioned on page 62 (2010-11: 20.1%).

### **GENERAL MAINTENANCE**

General maintenance costs comprise preventative/planned and reactive work. Preventative or planned maintenance includes small areas of redecoration and other repair work costing less than £3,500, regular inspections of lifts, boilers and other equipment and plant, work arising from in-house inspections, and routine tasks such as sweeping roofs and paths and clearing rubbish. Reactive maintenance includes minor repairs to blocked drains, sticking windows, leaking roofs, changing light bulbs, and so on. Expenditure on general maintenance was £3.4 million (2010-11: £3.3 million).

## FACILITIES MANAGEMENT CHARGE

The Property Section charges The Royal Collection Trust for the use of facilities at Windsor Castle and Buckingham Palace in connection with the admission of visitors. Excluding the impact of a £0.8 million additional charge in 2010–11 which related to prior years, the income from facilities management charges increased by £1.1 million from £2.4 million to £3.5 million in 2011-12.

## SUPERVISION

Supervision includes the payroll cost of the Property Maintenance Central Unit and of the Property Managers, Building Surveyors and Administration staff after netting off recharges to other funding sources. Further details are provided in note 3 to the accounts on pages 73 and 74. It also includes the cost of measured and condition surveys, property-related consultancies and computer equipment and office supplies for property maintenance staff.

## UTILITIES

Considerable emphasis is placed on energy conservation, both to save costs and to reduce environmental pollution. As a result of work undertaken to estimate the Household's carbon footprint it was identified that the two principal areas to target for a reduction in carbon emissions are electricity and gas consumption. In 2011-12, SMART meters were installed across the Estate to facilitate the monitoring of consumption. 99% of electricity and 90% of gas consumption is now covered by SMART meters.

### **Electricity**

In 2011-12 approximately 7.8 million kWh (2010-11: 8.5 million kWh) were consumed on the Estate, a decrease of 8.9%. The combined heat and power units (CHP) located at Buckingham Palace and Windsor Castle produced 2.9 million kWh of this consumption (2010-11: 3.4 million kWh).

### **Gas**

In 2011-12 approximately 21.0 million kWh (2010-11: 27.0 million kWh) were consumed on the Estate, a decrease of 22.4%. The CHP units in both London and Windsor provide hot water during the summer allowing the main boilers to be switched off and thereby reducing gas consumption.

### **Carbon Emissions**

Lower consumption of gas and electricity in 2011-12 decreased carbon emissions by 14% (2010-11: decrease of 3.8%).

## **Water and Sewerage**

Water is provided to Windsor Castle and the Home Park from the Castle's small 19th Century waterworks. At other locations water is provided by the public supplier.

Meters monitoring hot-water consumption at Buckingham Palace are linked to the Building Energy Management Control System to facilitate analysis and control. In 2011-12 approximately 0.2 million litres were used across the estate (2010-11: 0.2 million litres).

## **Telephones**

The Royal Household generally receives 700,000 calls a year of which over 400,000 incoming calls were handled by the switchboard operators who together with the fire team at Windsor Castle provide a twenty-four hour, seven day a week switchboard service.

Buckingham Palace is linked to all the other Royal residences via a Private Network Emulation set-up and during the year additional links and upgrades were implemented for resilience. Full disaster recovery tests are carried out twice yearly.

Following a review of all telephone lines during the year, international calls are now re-routed to a lower cost carrier resulting in cost savings.

## **NON-DOMESTIC RATES**

A contribution in lieu of non-domestic or business rates is paid in respect of those areas of the Palaces which are not used for domestic purposes (e.g. offices and workshops). This contribution is as notified by the Government Valuation Office. Council Tax is paid from the Grant-in-aid for properties that are vacant and for communal staff accommodation. The Royal Family and all other residents with self-contained accommodation pay their own Council Tax, except for the Chaplain (in accordance with normal arrangements for the clergy).

Business rates are lower in 2011-12 due to the release of an accrual amounting to £520,000 which is no longer required.

## COURT POST OFFICE

Royal Mail staff operate the Court Post Office, providing a wide range of services including:

- the running of Post Offices at Buckingham Palace and Windsor Castle, which provide counter and delivery services;
- all postage;
- courier and delivery services between the Palaces, and at other residences for The Queen and The Prince of Wales; and
- other services, such as telegrams and despatches.

With effect from 1 February 2011 VAT is payable on the services provided (excluding postage).

## GARDENS

### **Buckingham Palace**

The garden covers an area of approximately 39 acres including the lake. The gardeners at Buckingham Palace are also responsible for the flower beds and grass areas at Kensington and St James's Palaces, an aggregate area of approximately 15 acres. Approximately 25,000 (2010-11: 33,000) people walked round the Buckingham Palace garden during the summer Garden Parties and around 611,000 (2010-11: 420,000) people saw parts of the garden as they walked out through it, having visited the Buckingham Palace State Apartments. In addition, 3,213 people participated in tours of the Buckingham Palace gardens (2010-11: 5,500) and 13,000 (2010-11: 12,000) people walked around the garden of Clarence House during summer opening visits.

### **Windsor Castle**

The gardeners operate a one acre glasshouse located in the Windsor Home Park and maintain the surrounding areas. Their principal responsibility is to grow and maintain specimen plants for internal display at Buckingham Palace and Windsor Castle during state visits and other official occasions. Commercial activities include the sale of Christmas poinsettias and other plants to offset operating costs.

## FURNITURE AND EQUIPMENT

Eleven craftsmen including cabinetmakers, gilders, upholsterers, French polishers are responsible for maintaining and repairing furniture and furnishings used in official areas of the Palaces. Work undertaken for other Households, related parties and external organisations are recharged accordingly.

This section also meets the cost of purchasing office furniture and equipment for staff paid from the Grant-in-aid.

## RENT AND OTHER RECOVERIES

Rent receivable includes commercial lettings of apartments and properties, and payments in respect of non-official employees housed on the Estate and from pensioners allocated their accommodation since the Household assumed responsibility for Property Services on 1 April 1991. In addition, income is received from the Royal Windsor Horse Show for the use of office accommodation at Windsor Castle and from the College of St George for the temporary use of residential accommodation at Windsor.

Commercial lettings of properties increased from an average of 43 in 2010-11 to 48 in 2011-12 and income from commercial lettings increased to £1.7 million (2010-11 £1.3 million). The increase in income is due to income received from the rental of Perks Field, rental increases and fewer void periods.

## COMMUNICATIONS AND INFORMATION

The Communications and Information Grant-in-aid had remained at £520,000 from 2002-03 until 2010-11 when following the Chancellor of the Exchequer's announcement of spending cuts the Grant-in-aid was reduced to £504,000 in 2010-11 and 2011-12, a reduction of 38% in real terms since 2002-03.

The Buckingham Palace web team launched the official Diamond Jubilee website [www.thediamondjubilee.org](http://www.thediamondjubilee.org) on 6 February 2012. The site provides information about how members of the public can celebrate the Diamond Jubilee; articles and photographs about official events and visits to mark this special year and historical information about The Queen's 60-year reign, including an interactive timeline on which users can explore Her Majesty's life and times. The site also enables users to send a congratulatory message to The Queen.

A collaboration with the Royal Archives saw the launch of the 'Queen Victoria's Scrapbook' website [www.queen-victorias-scrapbook.org](http://www.queen-victorias-scrapbook.org) on 21 April 2012. The site showcases documents relating to the reign of the only other British monarch to have celebrated a Diamond Jubilee and features education resources for teachers.

Social media continues to provide an ever popular platform for the Royal Household to make information available to the media and the general public, and followers have increased substantially week-on-week throughout the year.

## ROYAL TRAVEL

Almost 3,000 official engagements were undertaken across the United Kingdom and overseas by members of the Royal Family during the year to 31 March 2012. These involved a significant amount of travel that needed to be undertaken in a way which met efficiency, security and presentational requirements and minimised disruption to the public. A list of the 72 (2010-11: 65) journeys undertaken by members of the Royal Family and their staff during 2011-12 which had travel costs of £10,000 or more, met from the Royal Travel Grant-in-aid, is given on pages 108 to 115. The largest tour during the year was undertaken by The Prince of Wales and The Duchess of Cornwall to Kuwait, Qatar, South Africa and Tanzania.

The environmental impact of Royal Travel is influenced by the scale of overseas travel mixed with domestic journeys. Although the overseas tours are determined by the Foreign and Commonwealth Office and UK Trade and Investment, the Household aim to minimise this impact without compromising the ability of The Queen and members of the Royal Family to fulfil their official duties. With effect from 1 January 2007, the Royal Household has participated in the Government Carbon Offsetting Fund. In 2011-12, 3,269 tonnes of carbon are due to be offset at a cost of £36,000 (2010-11: 3,338 tonnes at a cost of £39,000).

# FUTURE DEVELOPMENTS

Developments planned for the next year include the following:

## FUNDING

With effect from 1 April 2012, the funding provided to meet The Queen's official expenditure will be consolidated into a Sovereign Grant which will be set at £31.0 million for 2012-13 compared with expenditure of £32.3 million in 2011-12. The balance on the Royal Household Investment Committee Reserve will transfer to the Sovereign Grant Reserve. In view of the demands on the Royal Household in the year of the Diamond Jubilee and the Olympics, it is anticipated that there will be a requirement to draw down on the Sovereign Grant Reserve in 2012-13.

## FINANCE

In preparation for the new Sovereign Grant funding arrangements from 1 April 2012, a new chart of accounts is being implemented for the Sovereign Grant and the transition to International Financial Reporting Standards (IFRS) reporting is being undertaken for the 2012-13 accounts.

The finance team will also be providing support for Departments in identifying revenue generating opportunities and for the implementation of a rostering module within the Personnel, Payroll and Pensions system.

## INFORMATION SYSTEMS MANAGEMENT (ISM)

During 2012 the ISM department will be concentrating on the upgrade of all desktop software to Office 2010 and Windows 7. This has implications on software compatibility, data storage and user training. The capacity of our wide area network services will also be increased delivering better performance at remote sites. The new hospitality system will also go live in August 2012.

## INFORMATION SECURITY AND MANAGEMENT

Work on compliance with ISO 27001 and the Government's Information Assurance Maturity Model will be completed this year. The focus will then move to maintaining these standards and embedding their logic as a natural part of the work of the Household.

A Benefit Realisation Management programme will start in the second half of the year and will take a strategic view of information management across the Household. This programme will build on the information asset registers, retention schedules and information security compliance work of recent years. Benefits Realisation Management (BRM) is a process for:

- helping to identify strategic goals;
- developing appropriate projects to deliver them; and
- managing the resulting change to ensure potential benefits are actually achieved.

A revised protective marking system will be introduced following the conclusion of the current review of the Government Protective Marking Scheme.

## PERSONNEL

The integrated approach to staff Wellbeing and Engagement endorsed by senior management will be further promoted in 2012. Remuneration Statements issued in 2011 to all employees outlined the monetary value of benefits and the total compensation package, so that despite a pay freeze for the majority of staff morale was maintained. In 2012, the bi-annual staff survey will explore views on employment practice, the working environment, reward and recognition, while staff focus groups, briefings and the intranet continue to play a key role in encouraging participation and engagement.

In 2011, the initiative to encourage staff to contribute ideas to the Royal Household Spending Review gave impetus to both savings and revenue generation. In 2012, the focus on productivity will continue with systems improvements in Personnel underpinning more effective recruitment practices, streamlining rostering of staff and encouraging managers to monitor key performance indicators relating to employment. This is being achieved with a "self service" personnel system networked to desks and available to all employees.

A key element of the Personnel plan for 2012 will relate to Performance and Talent Management, and a new senior Leadership Development programme planned for the Autumn. Staff Induction continues to be improved and compliance training workshops will be delivered to staff across the Household. Importantly, to support skills and career development, a revised scheme for paid interns, work experience placements and apprenticeships will be introduced.

## PROPERTY SERVICES

The Annual Works Programme of the Property Section has a number of major projects which aim to meet the objectives set out in the Sovereign Grant Framework Agreement with HM Treasury as follows:

### **Replacement of Services at Buckingham Palace**

On completion of the removal of asbestos and improved access to the ducts in the basement in 2012-13, it is planned to continue replacing the mains electrical cables from the switch room under the Trade Yard, installing new mains panels in the basement. There will be further investigation into the possibility of an alternative source of supply, such as a fuel cell in the area of the North Colonnade, to improve resilience in terms of business continuity (e.g. if the Trade Yard switch room is flooded, either by rainwater or a burst in the heating pipe work, there would be no power to the whole of Buckingham Palace).

### **Renewal of the Picture Gallery roof light, Buckingham Palace**

This project is a high priority. Consideration will be given to the construction of a decorative 'false ceiling' which would form a crash deck under the roof light, enabling this key State Room to remain in use whilst the works are in progress. Specialist contractors would be involved in developing the programme and logistics for the project for presentation to The Queen.

### **External Fabric Repairs**

The long-term programme of external fabric repairs at Buckingham Palace and Windsor is extensive and is therefore dependent on the available funding. It is however intended to manage a limited programme of repairs, including the renewal of roofing in the Upper Ward Windsor Castle and slate and lead roofing in the Royal Mews at Buckingham Palace.

Subject to satisfactory progress in the replacement of services and the above projects it is hoped that progress might be made on the repair of the Victoria and Albert Mausoleum. The work required includes renewal of the copper roofs, installation of permanent improvements to the gutters and downpipes, drainage improvements, paving repairs and internal repair, including the decorative painted surfaces, so that the building may be removed from the English Heritage 'Buildings at Risk' Register.

### **Commercial Lettings**

Every opportunity will be taken to supplement the Sovereign Grant through growth in the number of properties available for commercial letting. The key consideration is that the initial investment in refurbishment has a reasonable payback. The Property Section, as recommended by the National Audit Office, has prepared a forward looking plan that explores the scope to free up properties for commercial letting and identifies properties on the Estate which do not contribute to the Household's operations. It is anticipated that this

will result in refurbishment projects in London being prioritised to achieve higher levels of income generation.

### **Condition Monitoring**

Following the implementation of software developed by Defence Estates for recording the condition of buildings across the Estate, all condition assessments were updated by December 2011, as agreed with the National Audit Office. This web based system which records actual condition against target condition will greatly assist in determining the maintenance priorities across the Estate and the development of the Annual Works Programme.

### ENVIRONMENTAL

Following the installation of SMART meters throughout the Estate, the Property Section plans to recruit an Energy Conservation Manager in 2012-13 in order to target areas for reduction in energy consumption based on the enhanced information available.

The project to obtain electricity from hydro-electric generation in Windsor has made further progress during the year and it is anticipated that Windsor Castle will be supplied with hydro-electricity in 2012-13.

### COMMUNICATIONS AND INFORMATION

The web team will continue to develop the British Monarchy's social media presences in 2012-13 as they become an increasingly important tool for online communications. Following the success of the Queen Victoria's scrapbook project ([www.queen-victorias-scrapbook.org](http://www.queen-victorias-scrapbook.org)) the web team will work closely with staff in the Royal Archives to make more of its material available to a global audience. A survey of the British Monarchy's web presence will also be undertaken to ensure that the Royal Household is meeting the requirements of members of the public and the media alike.

# GOVERNANCE STATEMENT

## **Scope of responsibility**

As Keeper of the Privy Purse, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the Royal Household in areas funded by the Civil List and Grants-in-aid, 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 Keeper of the Privy Purse are defined in Financial Memoranda relating to the Civil List and Grants-in-aid<sup>1</sup>.

## **The purpose of the governance framework**

The governance framework comprises the 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.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and 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 policies, aims and objectives;
- evaluate the likelihood of those risks being realised;
- assess the impact should they be realised;
- 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 Treasury guidance.

## **The Royal Household's governance framework**

Strategic leadership of the Royal Household comes from the Lord Chamberlain's Committee (see page 10). The Lord Chamberlain's Committee assesses risks and opportunities as part of the review of annual budgets 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 meets at least eight times annually and sets its agenda with reference to the Royal Household objectives and risk register.

The four department heads are responsible for ensuring that department business plans are aligned with the Household's objectives (see page 10).

<sup>1</sup> Financial Memorandum relating to the Civil List; Financial Memorandum for the maintenance of the Occupied Royal Palaces in England and Royal Communications and Information, and for the maintenance of Marlborough House; and, Financial Memorandum relating to the Grant-in-aid for Royal Travel by Air and Rail.

The Audit Committee for the Civil List and Grants-in-aid is 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 Committee reports annually to the Lord Chamberlain's Committee on the Audit Committee's activities and responsibilities. It currently comprises four members: Mr Nigel Turnbull (non-executive Chairman), Air Marshal Sir David Walker (Master of the Household), Ms Leslie Ferrar (Treasurer, Household of The Prince of Wales and Duchess of Cornwall) and Sir David Tweedie (Former Chairman of the International Accounting Standards Board). In undertaking its responsibilities, the Audit Committee considers reports from both internal and external auditors and management, and makes recommendations to the Lord Chamberlain's Committee throughout the year.

The Audit Committee meets at least three times a year. Meetings are attended by the Head of Audit Services, the Keeper of the Privy Purse, the Deputy Treasurer to The Queen, and representatives from HM Treasury who are the external auditors of the Civil List and KPMG LLP who are auditors of the Royal Travel and Property Services Grants-in-aid and are contracted by HM Treasury to audit the Civil List. Other senior managers in the Royal Household attend when invited by the Committee.

The Audit Committee annually reviews its terms of reference and undertakes a formal evaluation of its own performance every three years.

Matters dealt with by the Committee include:

- reviewing and challenging the actions and judgement of management in relation to the annual accounts;
- ensuring procedures are in place for detecting fraud and whistleblowing;
- review of reports from internal and external auditors, and management;
- review of the Governance Statement;
- agreement of internal and external audit plans;
- monitoring management's responsiveness to internal audit findings and recommendations; and
- reviewing the Royal Household's risk register and department plans.

The Royal Household Investment Committee which comprises the Lord Chamberlain, the Keeper of the Privy Purse and the Deputy Treasurer to The Queen is responsible for managing the investment of Civil List surplus funds and monitoring the balance of counterparty risk against return. The activities of the Royal Household Investment Committee ceased on the transfer of the Civil List Reserve to the Sovereign Grant Reserve on 1 April 2012.

Specialist risk managers in the Royal Household include the Fire Safety Managers in Windsor and London, the Health and Safety Manager, the Head of Royal Travel and the Director of Security Liaison. These specialists provide advice on the management of the risks falling within their areas of responsibility and provide annual reports to the Lord Chamberlain's Committee.

### **Review of effectiveness**

As Keeper of the Privy Purse, I have responsibility for ensuring the effectiveness of the governance framework including the system of internal control. The 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 and is underpinned by integrated departmental risk registers. These are reviewed by the Lord Chamberlain's Committee and departmental management teams on a regular basis.
- The Audit Committee met three times in the period covered by this report and has reviewed the risk registers at its meetings. The Audit 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 being managed.
- The internal audit function takes a risk-based approach to audits and operates to a plan of work agreed by the Audit Committee that is aligned to the risk registers and Royal Household objectives. The findings of reviews are reported to the Audit Committee.
- The Audit Committee monitors management's progress with the implementation of agreed internal audit recommendations ensuring that management establish appropriate priorities.
- Assurance on specialist areas such as property maintenance and Royal Travel is provided by suitably 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 Civil List and the Grants-in-aid is facilitated through regular meetings with HM Treasury, the Department for Culture, Media and Sport and the Department for Transport.

Specific improvements and initiatives during the period under review include:

- A contracts database which will enhance the management and review of the Royal Household's contracts was implemented in 2011 and relevant staff are receiving training in the application.
- In conjunction with the implementation of the Bribery Act 2010 in July 2011 an assessment of fraud and bribery risks and their management was undertaken during the year. A programme of senior manager briefings is being developed for 2012-13;
- Work on compliance with ISO 27001 continued during the year and as part of this work the Royal Household rolled out a comprehensive information assurance training programme which included training for Data Owners and other employees with particular information assurance responsibilities.
- Business Continuity Plans were developed further during the year based on a number of scenarios. Co-ordination and testing of the plans will continue during 2012-13.
- The Royal Household Security Risk Management Board met twice during 2011-12 to consider reports from the Information, Personnel and Physical Security Working Groups. A programme of information assurance and security awareness training was rolled out across the Royal Household during the year.
- As part of the Royal Household Energy Management Strategy, SMART meters have been installed in order to facilitate monitoring of electricity and gas and to set targets for reduction in consumption. Approximately 99% (2010-11: 94%) of electricity consumption and 90% (2010-11: 90%) of gas consumption is now covered by SMART meters.
- All staff were required to undertake Display Screen Self Assessments and attend a Health & Safety Awareness update during the year. All staff will also have participated in Fire Drills and Evacuation Training during the year.
- Following the reports of the National Audit Office and the Public Accounts Committee on the maintenance of the Occupied Royal Palaces, the Property Services established a more structured approach to condition surveys of the Palaces in order to help determine the extent of maintenance work required to bring the properties to a target condition (as agreed with the Department for Culture, Media and Sport). Using software developed by Defence Estates the condition assessments for the whole estate were completed by December 2011. This enables the Household to determine the shortfall against target condition for each part of the Estate and thus provides a more accurate assessment of the priorities for expenditure in order to bring the Estate up to its agreed target condition. Additionally, systems for improving the financial management of individual projects were enhanced in the year.
- Work continued to ensure that the Investors in People accreditation is retained by the Royal Household.

**Significant governance issues**

The review as detailed above provides assurance as to the effectiveness of the Royal Household's system of internal control. There have been no governance issues identified during the year that are considered significant in relation to the Royal Household's governance framework. Any opportunities for improvement in governance and internal controls identified as a consequence of the assurance processes detailed above have been addressed or will be actioned to ensure continuous improvement of the governance framework.

**Sir Alan Reid**

Keeper of the Privy Purse

7 June 2012

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

## THE CIVIL LIST

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

- the administration of the Civil List fully accords with the accounts directions given by the Treasury in pursuance of Section 9 of the Civil List Audit Act 1816; and
- the Civil List is applied only for the purposes set out in the Financial Memorandum between the Royal Household and the Treasury and in the Civil List Act 1972.

## GRANT-IN-AID FOR PROPERTY SERVICES AND ROYAL COMMUNICATIONS AND INFORMATION

Under the terms of the Memorandum of Understanding and the Financial Memorandum in respect of Property Services and Royal Communications and Information, dated 28th September 2006, the Keeper of the Privy Purse is responsible for ensuring that:

- the administration of the Grant-in-aid fully accords with *Managing Public Money* and other guidance that may be notified to the Royal Household by the Department for Culture, Media and Sport; and
- the Grant-in-aid is applied only for the purposes approved by the Lord Chamberlain and the Secretary of State for Culture, Olympics, Media and Sport as set out in the Memorandum of Understanding.

He is required to submit this annual report to the Lord Chamberlain and the Secretary of State for Culture, Olympics, Media and Sport.

## GRANT-IN-AID FOR ROYAL TRAVEL

Under the terms of the Memorandum of Understanding dated 25th March 1997 and the Financial Memorandum dated May 2002, the Keeper of the Privy Purse is responsible for ensuring that:

- the administration of the Grant-in-aid fully accords with *Managing Public Money* and other guidance that may be notified to the Royal Household by the Department for Transport; and
- the Grant-in-aid is applied only for the purposes approved by the Lord Chamberlain and the Secretary of State for Transport and set out in the Memorandum of Understanding.

He is required to submit, jointly with the Private Secretary to The Queen, this annual report to the Lord Chamberlain and Secretary of State for Transport.

## GENERAL

The Keeper of the Privy Purse is 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 Financial Memoranda, for the income and expenditure;
- the Grants-in-aid and Civil List are used economically, efficiently and effectively to secure good value for money, in accordance with propriety and regularity;
- staff paid from the Grants-in-aid or Civil List take financial considerations fully into account at all stages in framing, reaching and executing decisions in so far as the Grants-in-aid or Civil List 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 Grants-in-aid and Civil List funds and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The Keeper of the Privy Purse, who held office at the date of approval of this report, confirms that, so far as he is aware, there is no relevant audit information of which the Civil List and Grants-in-aid 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 Civil List and Grants-in-aid auditors are aware of that information.

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.

**Sir Alan Reid**  
Keeper of the Privy Purse  
7 June 2012

**The Queen's Civil List**

*Annual Report 2011*



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# INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31 December</i>		<b>2011</b>	2010
	Note	<b>£m</b>	£m
<b>Civil List funding received:</b>			
Annual Civil List		<b>7.9</b>	7.9
Draw-down from reserve		<b>5.3</b>	5.6
		<u><b>13.2</b></u>	<u>13.5</u>
		<b>13.2</b>	<b>13.5</b>
<b>Salaries</b>	3	<b>10.0</b>	10.2
<b>Other expenditure</b>			
Catering and hospitality		<b>1.2</b>	1.2
Executive and administrative		<b>1.4</b>	1.2
Housekeeping and furnishings		<b>0.5</b>	0.5
Ceremonial functions		<b>0.4</b>	0.4
Other		<b>0.1</b>	0.2
<b>Total net expenditure</b>	5	<u><b>13.6</b></u>	<u>13.7</u>
		<b>13.6</b>	<b>13.7</b>
<b>Net funding from fixed assets and working capital</b>		<u><b>(0.4)</b></u>	<u>(0.2)</u>
		<b>(0.4)</b>	<b>(0.2)</b>

Total net expenditure in 2011 includes approximately £0.6 million in respect of VAT (2010: £0.5 million).

The accounting policies are summarised on pages 49 and 50. The Income and Expenditure Account should be read in conjunction with the Statement of Total Recognised Gains and Losses, the Balance Sheet and Cash Flow Statement on pages 45, 46 and 47 respectively.

The results shown above relate to continuing activities.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31 December</i>	<b>2011</b>	2010
	<b>£m</b>	£m
<b>Net funding from fixed assets and working capital</b>	<b>(0.4)</b>	(0.2)
Actuarial (loss) / gain for the year	<b>(0.3)</b>	0.2
Total recognised losses relating to the year	<b>(0.7)</b>	–

# BALANCE SHEET

<i>As at 31 December</i>	Note	2011 £m	2010 £m
<b>Fixed assets</b>	6	1.7	2.2
<b>Current assets</b>			
Stock	7	0.4	0.4
Debtors	8	1.4	1.6
Cash at bank and in hand		0.8	0.5
		2.6	2.5
<b>Creditors: amounts falling due within one year</b>	9	(2.2)	(2.1)
<b>Net current assets</b>		0.4	0.4
<b>Total assets less current liabilities excluding pension scheme liability</b>		2.1	2.6
<b>Pension scheme liability</b>	4	(1.1)	(0.9)
<b>Net assets</b>		1.0	1.7
		<b>=====</b>	<b>=====</b>
<b>Represented by:</b>			
<b>Reserves</b>	10	1.0	1.7
		<b>=====</b>	<b>=====</b>

**Sir Alan Reid**

Keeper of the Privy Purse

7 June 2012

# CASH FLOW STATEMENT

<i>Year to 31 December</i>	2011	2011	2010	2010
	£m	£m	£m	£m
<b>Reconciliation of total net expenditure to Civil List funding</b>				
Total net expenditure		(13.6)		(13.7)
Depreciation	0.7		0.4	
Net excess of contributions over pension service costs	(0.1)		(0.1)	
Decrease / (increase) in debtors	0.2		(0.6)	
Increase / (decrease) in creditors due within one year	0.1		(0.1)	
		<u>0.9</u>		<u>(0.4)</u>
<b>Net cash outflow from activities</b>		<u>(12.7)</u>		<u>(14.1)</u>
Capital expenditure – fixed assets acquired and disposed		(0.2)		(0.1)
<b>Net cash outflow before funding</b>		<u>(12.9)</u>		<u>(14.2)</u>
Civil List funding received		13.2		13.5
<b>Net increase / (decrease) in cash</b>		<u>0.3</u>		<u>(0.7)</u>
		<u><u>0.3</u></u>		<u><u>(0.7)</u></u>
 <b>Reconciliation of cash balances</b>		2011		2010
		£m		£m
Cash at bank as at 1 January		0.5		1.2
Net increase / (decrease) in cash		0.3		(0.7)
<b>Cash at bank as at 31 December</b>		<u>0.8</u>		<u>0.5</u>
		<u><u>0.8</u></u>		<u><u>0.5</u></u>

## CIVIL LIST RESERVE

The Civil List Act 1972 provides that, when the annuity payable under the Act exceeds Civil List expenditure for the year, the excess should be paid to the Royal Trustees to be accumulated by them and applied to meet deficiencies in future years. The Royal Household Investment Committee was established by a Treasury Minute of 30th December 1990 to invest such surpluses on behalf of the Royal Trustees.

During the previous ten-year period to December 2000 a surplus of £35.6 million was accumulated, and is invested by the Royal Household Investment Committee. It was agreed that the Civil List would remain at an annual amount of £7.9 million for the following ten-year period to December 2010, and there would be a transfer of additional expenditure to the Civil List with effect from 1 April 2001. To the extent that Civil List annual expenditure exceeded the £7.9 million payment, amounts could be withdrawn from the reserve each year rather than being paid into it.

The Civil List expenditure exceeds the annual £7.9 million payment and amounts are therefore now withdrawn from the reserve each year.

The annual amount to be withdrawn is determined when the Civil List budget is prepared towards the end of the preceding year.

	2011	2010
	£m	£m
Net expenditure for the year	(13.6)	(13.7)
Net decrease / (increase) in fixed assets	0.5	0.3
Net excess of contributions over pension service costs	(0.1)	(0.1)
Total cash received	<u>(13.2)</u>	<u>(13.5)</u>
<b>Civil List reserve</b>	<b>2011</b>	<b>2010</b>
	<b>£m</b>	<b>£m</b>
Balance brought forward	9.7	15.2
Interest received	0.1	0.1
Draw-down	(5.3)	(5.6)
Balance carried forward	<u>4.5</u>	<u>9.7</u>

The reserve is invested in instant access accounts.

The draw-down for the first quarter is expected to be £1.2 million for revenue and capital expenditure.

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts.

### a) Basis of preparation

The accounts are prepared in accordance with the combined accounts direction given by the Treasury as set out in Appendix B (pages 134 to 136) and have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The accounts have been prepared on an accruals basis.

### b) Recharges

All recharges are accounted for on a receivable basis.

### c) Leases

Operating lease rentals are charged to the Income and Expenditure Account on a straight-line basis over the period of the lease.

### d) Fixed assets and depreciation

Expenditure of £2,000 or more to acquire or improve assets which should last for at least a year is capitalised as fixed assets. Depreciation is charged on a straight-line basis at the following rates:

- |                                |                |
|--------------------------------|----------------|
| • Information systems hardware | 3 years        |
| • Information systems software | 3 to 5 years   |
| • Furnishings                  | 10 to 20 years |
| • Other equipment              | 3 to 10 years  |
| • Horses                       | 12 years       |
| • Liveries                     | 7 to 20 years  |

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

### e) Stock

Stock is held at the lower of cost and net realisable value.

### f) Pensions

The Civil List participates in two pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Civil List. Contributions to the schemes are charged to the Income and Expenditure Account 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, managed by the Government, is not a funded scheme. As permitted by FRS 17: Retirement Benefits, this

scheme is treated as a defined contribution scheme by the Civil List and the full cost of contributions made in the year is reflected in the Income and Expenditure Account.

However, FRS 17: Retirement Benefits is applicable to the second scheme, the Royal Households Group Pension Scheme, and accordingly the Income and Expenditure Account includes the cost of benefits accruing during the year in respect of current service, 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 total recognised gains and losses and the balance sheet includes the liability in the pension scheme, taking the assets at their year-end bid-values and liabilities at their actuarially calculated values discounted using the annualised yield on the iBoxx over 15-year AA rated corporate bond index at the year end.

The Civil List also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Civil List in an independently administered fund. The amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the year.

Further details of the pension schemes are provided in Appendix A of the Royal Public Finances Annual Report (pages 121 to 133).

#### g) Reserves

The reserves represent funds drawn down from the Royal Household Investment Committee to fund the acquisition of fixed assets and stock and which have not been included in the Income and Expenditure Account. Following the implementation of FRS 17: Retirement Benefits the deficit on the Royal Households Group Pension Scheme is included in the reserves.

## 2. SEGMENTAL ANALYSIS

	Salaries		Other costs		Total	
	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	£m	£m
Catering and hospitality	1.6	1.6	1.2	1.2	2.8	2.8
Executive and administrative	4.0	3.9	1.4	1.2	5.4	5.1
Housekeeping and furnishings	2.9	3.1	0.5	0.5	3.4	3.6
Ceremonial functions	1.6	1.7	0.4	0.4	2.0	2.1
Other costs	(0.1)	(0.1)	0.1	0.2	—	0.1
Total	10.0	10.2	3.6	3.5	13.6	13.7

Salaries - Other costs relates to non cash pension costs.

### 3. STAFF NUMBERS AND COSTS

#### Staff Numbers

The average number of staff paid from the Civil List during the year to 31 December was as set out below.

	2011	2010
Lord Chamberlain	1	1
Private Secretary's Office	51	48
Privy Purse and Treasurer's Office	29	30
Master of the Household's Department	165	168
Lord Chamberlain's Office	54	56
	<u>300</u>	<u>303</u>

This figure is shown net of staff time recharged to other funding sources. Where staff work part-time they are recorded according to the proportion of their time devoted to, and paid by, the Civil List.

#### Payroll Costs

	2011	2010
	£m	£m
Salaries	7.9	8.0
Temporary staff	0.1	0.2
National insurance	0.7	0.7
Pension contributions	1.3	1.3
	<u>10.0</u>	<u>10.2</u>

The above payroll costs are stated net of housing abatements and charges (in respect of the provision of residential accommodation), service charges and recharges to related organisations and third parties (in respect of management, facilities and support provided by Civil List staff).

### 4. PENSION ARRANGEMENTS

Details of the pension schemes operating for employees of the Royal Household are provided in Appendix A of the Royal Public Finances Annual Report on pages 121 to 133.

## 5. TOTAL NET EXPENDITURE

Total net expenditure is stated after charging/(crediting):

	2011	2010
	£m	£m
Depreciation	0.7	0.4
Rentals under operating leases	0.1	0.1
Service charges and recharges	(3.5)	(3.1)

The remuneration of the Civil List Auditor was £nil in 2011 (2010: £nil). There were no additional fees paid to the Civil List Auditor during 2011 or 2010.

## 6. FIXED ASSETS

	Information Systems	Furnishings & Equipment	Horses & Liveries	Total
	£m	£m	£m	£m
<b>Cost</b>				
At 1 January 2011	1.7	2.6	0.7	5.0
Additions	0.1	0.1	–	0.2
Disposals	(0.6)	(0.1)	–	(0.7)
At 31 December 2011	<b>1.2</b>	<b>2.6</b>	<b>0.7</b>	<b>4.5</b>
<b>Depreciation</b>				
At 1 January 2011	1.2	1.3	0.3	2.8
Charge for the year	0.2	0.3	0.2	0.7
Disposals	(0.6)	(0.1)	–	(0.7)
At 31 December 2011	<b>0.8</b>	<b>1.5</b>	<b>0.5</b>	<b>2.8</b>
<b>Net book value</b>				
At 31 December 2011	<b>0.4</b>	<b>1.1</b>	<b>0.2</b>	<b>1.7</b>
At 1 January 2011	0.5	1.3	0.4	2.2

## 7. STOCK

	2011	2010
	£m	£m
Wine and spirits	0.4	0.4
	<b>0.4</b>	<b>0.4</b>

Wine is held in stock to age.

## 8. DEBTORS

	2011	2010
	£m	£m
Recharges	0.8	1.0
Other debtors	0.2	0.2
Prepayments	0.4	0.4
	<u>1.4</u>	<u>1.6</u>

## 9. CREDITORS

	2011	2010
	£m	£m
<b>Amounts falling due within one year:</b>		
Amounts due to suppliers	0.3	0.4
PAYE, National Insurance and Pension contributions	1.0	0.9
Other creditors	0.5	0.3
Accruals	0.4	0.5
	<u>2.2</u>	<u>2.1</u>

Cash balances not required to fund debtors and creditors at 31 December are payable to the Royal Household Investment Committee, for inclusion in the Civil List reserve. The balance is included under Other creditors.

## 10. RESERVES

	Fixed asset reserve	Stock reserve	Pension scheme deficit	Total reserves
	£m	£m	£m	£m
As at 1 January 2011	2.2	0.4	(0.9)	1.7
Actuarial loss on Group Pension Scheme	–	–	(0.3)	(0.3)
Movement in year	(0.5)	–	0.1	(0.4)
As at 31 December 2011	<u>1.7</u>	<u>0.4</u>	<u>(1.1)</u>	<u>1.0</u>

## 11. COMMITMENTS

Operating lease commitments are as follows:

	2011	2010
	£m	£m
Expiry within 1 year	0.1	0.1
Expiring between 2 and 5 years	0.2	0.4
	<u>0.3</u>	<u>0.5</u>

## 12. RELATED PARTY TRANSACTIONS

The Royal Collection Trust, the Property Services and Royal Travel Grants-in-aid, the Privy Purse and other Royal Households are regarded as related parties. Material transactions with these related parties during the year are summarised below.

	2011 £m	2010 £m	2011 £m	2010 £m
	<b>Balance due from:</b>		<b>Recoveries from:</b>	
Royal Collection Trust	0.2	0.1	1.4	1.2
Property Services Grant-in-aid	–	–	0.5	0.6
Royal Travel Grant-in-aid	–	–	0.1	0.1
Privy Purse	–	–	0.3	0.3
Other Royal Households	0.1	0.2	0.5	0.5
	<b>Balance due to:</b>		<b>Charged by:</b>	
Privy Purse	–	–	0.1	0.1

Recoveries are mainly management fees charged by the Civil List for various services including catering, cleaning and the provision of press office, internal audit, security liaison and information systems services.

Charges to the Civil List are in respect of the purchase of horses and summer grazing and the costs of cleaning and accommodation for official staff whilst at Balmoral and Sandringham.

None of the key staff employed by the Civil List has undertaken any material transaction with the Civil List during the year.

# REPORT OF THE AUDITOR TO THE CHANCELLOR OF THE EXCHEQUER

I have audited the accounts on pages 44 to 54 under the Civil List Audit Act 1816. These accounts have been prepared under the historical cost convention and the accounting policies set out on pages 49 and 50.

## **Respective responsibilities of the Royal Household and the Auditor**

The Royal Household is responsible for the preparation of the accounts for each financial year in the form and on the basis approved by the Treasury. The Royal Household is also responsible for ensuring the regularity of financial transactions. The Royal Household is also responsible for the preparation of the other contents of the Annual Report. My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Civil List Audit Act 1816 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Annual Report is not consistent with the accounts, if proper accounting records have not been kept or if I have not received all the information or explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited accounts. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounts.

I review the governance statement on pages 34 to 36 and report if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounts.

## **Basis of opinion**

I conducted the audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the accounts. It also includes an assessment of the significant estimates and judgements made by the Royal Household in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

I planned and performed the audit so as to obtain all the information and explanations which is considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounts.

## **Opinion**

In my opinion:

- I. the accounts give a true and fair view of the state of affairs at 31 December 2011 and of the net expenditure, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Civil List Audit Act 1816 and directions made thereunder by the Treasury; and
- II. in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

**Sir Nicholas Macpherson**

Permanent Secretary to the Treasury and Civil List Auditor

Government Offices  
1 Horse Guards Road  
London  
SW1A 2HQ

7 June 2012

## APPENDIX 1: ADDITIONAL NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

The segmental analysis on page 50 sets out the staff costs for each of the categories below. In accordance with the accounts direction we set out below an analysis of the non-staff costs on a basis consistent with the Royal Trustees Report.

### Catering and hospitality

	2011	2010
	£m	£m
Garden parties	0.8	0.8
Food and kitchens	0.4	0.4
	<u>1.2</u>	<u>1.2</u>

### Executive and administrative

	2011	2010
	£m	£m
Recruitment and training	0.1	0.1
Depreciation (net of recharges)	0.6	0.4
Stationery, printing and binding	0.3	0.2
Computers and information systems	0.2	0.2
Legal advice and other professional services	0.1	0.2
Travel	0.1	0.1
	<u>1.4</u>	<u>1.2</u>

### Housekeeping and furnishings

	2011	2010
	£m	£m
Housekeeping	0.3	0.3
Furnishings and equipment	0.2	0.2
	<u>0.5</u>	<u>0.5</u>

### Ceremonial functions

	2011	2010
	£m	£m
Carriage processions	0.2	0.2
Uniforms and protective clothing	0.1	0.1
Motor vehicles	0.1	0.1
	<u>0.4</u>	<u>0.4</u>

## APPENDIX 2: FIVE YEAR INFORMATION

### INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31 December</i>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Civil List funding received:</b>					
Annual Civil List	7.9	7.9	7.9	7.9	7.9
Draw-down from reserve	5.3	5.6	6.5	6.4	4.9
	<u>13.2</u>	<u>13.5</u>	<u>14.4</u>	<u>14.3</u>	<u>12.8</u>
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>
<b>Salaries</b>	10.0	10.2	10.3	9.9	9.1
<b>Other expenditure</b>					
Catering and hospitality	1.2	1.2	1.2	1.1	1.2
Executive and administrative	1.4	1.2	1.5	1.5	1.2
Housekeeping and furnishings	0.5	0.5	0.6	0.7	0.6
Ceremonial functions	0.4	0.4	0.3	0.4	0.2
Other costs	0.1	0.2	0.3	0.3	0.4
<b>Total net expenditure</b>	<u>13.6</u>	<u>13.7</u>	<u>14.2</u>	<u>13.9</u>	<u>12.7</u>
<b>Net (deficit) / surplus taken (from) / to reserves</b>	<u>(0.4)</u>	<u>(0.2)</u>	<u>0.2</u>	<u>0.4</u>	<u>0.1</u>
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

### PERFORMANCE INDICATORS AND OPERATING RATIOS

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>(Decrease) / increase in net Civil List expenditure</b>	(0.7%)	(3.5%)	2.2%	9.4%	4.1%
<b>Suppliers paid within:</b>					
30 days	78%	82%	80%	71%	79%
40 days	89%	90%	88%	83%	87%
50 days	93%	93%	91%	89%	92%
<b>Staff Numbers</b>	300	303	300	298	296

**The Grant-in-aid for the  
Maintenance of the Occupied Royal Palaces in  
England and  
Royal Communications and Information**

*Annual Report 2011-12*



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# MAINTENANCE OF THE OCCUPIED ROYAL PALACES (“PROPERTY SERVICES”)

## PERFORMANCE INDICATORS AND OPERATING RATIOS

The performance indicators and operating ratios are intended to provide a concise assessment of the way in which the Royal Household manages the Grant-in-aid in the key areas where performance can be quantified. Where percentages in the following table are preceded by – they are quantifying a decrease in the expenditure or consumption compared with the previous year.

<i>Year to 31 March</i>	2012 <i>Target</i>	2012 <b>Actual</b>	2011 Actual
	%	%	%
<b>Funding</b>			
Movement in voted revenue Grant-in-aid receivable in:			
• absolute terms	–	–	-3.0
• real terms	-6.6	-4.7	-5.1
<b>Property Maintenance</b>			
Fees and other indirect costs as a percentage of construction costs	16.8	19.3	20.1
Projects with a construction cost of £25,000 or more completed with a cost overrun of no more than:			
• 5% of the let tender amount	75	93	87
• the greater of £20,000 and 10% of the let tender amount	100	96	97
Percentage of fixed-price contracts with a construction cost of £25,000 or more let without competitive tendering	–	–	–
<b>Telephones</b>			
Movement in costs in real terms	–	-7.8	-10.5
<b>Energy Consumption</b>			
Electricity	–	-4.6	-12.6
Gas	–	-22.4	12.2
Water	–	7.6	11.2
<b>Supplier Payments</b>			
Percentage paid within:			
• 30 days	85	88	84
• 40 days	95	94	90
• 50 days of receipt of invoice	97	96	93
<b>Average Weekly Number of AFD Activations</b>	8	8	7
<b>Staff Numbers</b>	102	100	106

Of the fifteen performance indicators five had not been met or bettered during the year to 31 March 2012 (2010-11: seven).

The project for the External Repair Northside State Rooms Roof exceeded the 'greater of £20,000 and 10% of the let tender amount' variance due to additional structural repairs required and an extended period of scaffold hire.

Fees and other indirect costs as a percentage of construction are higher than target for the year. This is mainly due to the Asbestos survey carried out on the Basement Floor Ducts on the South Wing, Buckingham Palace (£94,000) and fees paid in respect of Party Wall Repairs at Kensington Palace (£122,000).

There were 11 projects let without competitive quotes being obtained during the year, mainly due to the nature of the works being carried out including specialist and emergency works.

One of the 'Supplier Payment Days' targets were just below target, however this has improved since the previous year.

The 'Movement in water consumption' is below target for the year.

Explanations of the performance indicators, where required, are given below.

#### **Fees and other indirect costs as a percentage of construction costs**

This indicator measures the success in spending as large a proportion as feasible of the funding available for property maintenance on actual maintenance and building work and as small a proportion as feasible on related administration and fees. It is understood that the fees and other indirect costs proportion for work on listed buildings would normally be expected to be in the range of 15% to 20%. Reducing expenditure on fees may, of course, be a false economy if insufficient pre-planning and input from architects and other members of the design team means that building costs increase and/or that the quality of the work is compromised. Comparisons with industry standard rates per square metre are used wherever possible to check that fees have not been reduced at the expense of increased cost in other areas. In addition, independent checks are undertaken to ensure that work undertaken is up to the high standard required.

**Percentage of projects with a construction cost of £25,000 or more (excluding VAT) completed with a cost overrun of no more than (a) 5% of the let tender amount, and (b) the greater of £20,000 and 10% of the let tender amount**

Building projects in relation to historic buildings and conservation are particularly difficult to manage and costs can frequently exceed budget. By completing 75% of projects with an overrun of no more than 5% of the let tender amount and 100% of projects with an overrun of no more than the greater of £20,000 and 10% of the let tender amount, the Property Section sets demanding targets. It is also the Household's policy not to include undefined provisional sums and general contingencies in let tender amounts, which would otherwise distort the application of this performance indicator.

**Average weekly number of AFD activations**

This performance indicator monitors how effectively the automatic fire detection (AFD) system is managed. The average number of activations in 2011-12 for the Estate was 8 per week, compared with the benchmark of 12 per week calculated in accordance with the guidance set out in the British Standard for systems of comparable size.

# INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31 March</i>		2012	2011
	Note	£m	£m
Amount of Revenue Grant-in-aid voted by Parliament		<u>14.6</u>	<u>14.6</u>
<b>Grant-in-aid drawn down</b>		<u>14.6</u>	<u>14.6</u>
Property Maintenance			
Projects and general maintenance	2	9.7	7.8
Less: Income from facilities management charges		(3.5)	(3.2)
Supervision		<u>1.3</u>	<u>1.4</u>
		7.5	6.0
Utilities		2.1	2.2
Fire, health and safety services		1.2	1.2
Non-domestic rates		0.4	0.9
Court Post Office		0.6	0.6
Gardens		0.8	0.8
Furniture and equipment		0.3	0.6
Central administration		0.5	0.5
Information systems		0.3	0.2
Rent and other recoveries		(1.7)	(1.3)
Maintenance of commercial properties		<u>0.2</u>	<u>0.2</u>
<b>Total net expenditure</b>	2, 5	<u>12.2</u>	<u>11.9</u>
<b>Net funding for fixed assets and working capital</b>	10	<u>2.4</u>	<u>2.7</u>

Total net expenditure in 2011-12 includes approximately £1.9 million in respect of VAT (2010-11: £1.3 million).

The accounting policies are summarised on pages 69 to 71. The Income and Expenditure Account should also be read in conjunction with the Statement of Total Recognised Gains and Losses, the Balance Sheet and the Cash Flow Statement on pages 66, 67 and 68 respectively.

The results shown above relate to continuing activities.

# STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31 March</i>		2012	2011
	Note	£m	£m
<b>Net funding for fixed assets and working capital</b>		2.4	2.7
Actuarial (loss) / gain for the year	4	(0.9)	0.5
Total recognised gains relating to the year		<u>1.5</u>	<u>3.2</u>

# BALANCE SHEET

<i>As at 31 March</i>		2012 £m	2011 £m
	Note		
<b>Fixed assets</b>	6,7	11.4	11.2
<b>Current assets</b>			
Debtors	8	5.0	3.5
Cash at bank and in hand		–	0.1
		5.0	3.6
<b>Creditors: amounts falling due within one year</b>	9	(2.2)	(2.4)
<b>Net current assets</b>		2.8	1.2
<b>Total assets less current liabilities excluding pension scheme liability</b>		14.2	12.4
<b>Pension scheme liability</b>	4	(1.7)	(1.1)
<b>Net assets</b>		12.5	11.3
 <b>Funds contributed by or (required from) the Department for Culture, Media and Sport</b>			
Fixed asset reserve		11.4	11.2
Pension scheme deficit	4	(1.7)	(1.1)
Net current assets		2.8	1.2
	10	12.5	11.3

**Sir Alan Reid**

Keeper of the Privy Purse

7 June 2012

# CASH FLOW STATEMENT

<i>Year to 31 March</i>	2012	2012	2011	2011
	£m	£m	£m	£m
<b>Reconciliation of total net expenditure to Grant-in-aid</b>				
Total net expenditure		(12.2)		(11.9)
Depreciation charges	0.6		0.6	
Decrease in stock	–		0.1	
Increase in debtors	(1.5)		(2.0)	
Decrease in creditors	(0.2)		(0.8)	
Excess of pension scheme contributions over service cost	(0.3)		(0.2)	
		<u>(1.4)</u>		<u>(2.3)</u>
<b>Net cash outflow from activities</b>		<b>(13.6)</b>		<b>(14.2)</b>
Capital expenditure – fixed assets acquired		<u>(1.1)</u>		<u>(0.6)</u>
<b>Net cash outflow before financing</b>		<b>(14.7)</b>		<b>(14.8)</b>
Grant-in-aid drawn down		14.6		14.6
Amounts vired from Grant-in-aid for the Maintenance of Marlborough House		–		1.2
<b>(Decrease) / increase in cash</b>		<b><u>(0.1)</u></b>		<b><u>1.0</u></b>
<b>Reconciliation of cash balances</b>		<b>2012</b>		<b>2011</b>
		<b>£m</b>		<b>£m</b>
Cash at bank as at start of year		0.1		(0.9)
Net increase in cash		<u>(0.1)</u>		<u>1.0</u>
<b>Cash at bank as at 31 March</b>		<b><u>–</u></b>		<b><u>0.1</u></b>

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts.

### **a) Basis of preparation**

The accounts are prepared in accordance with the combined accounts direction given by the Treasury as set out in Appendix B (pages 134 to 136) and have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

### **b) Income**

Grant-in-aid from the Department for Culture, Media and Sport is taken to the Income and Expenditure Account in the year it is received.

All other income is accounted for on a receivable basis.

### **c) Income from facilities management charges**

Amounts due from the Royal Collection Trust to the Grant-in-aid in respect of services provided in connection with admitting the public to Windsor Castle and Buckingham Palace are recognised on a receivable basis.

### **d) Pensions**

The Household participates in two pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Grant-in-aid. Contributions to the schemes are charged to the Income and Expenditure Account to reflect the cost of benefits accruing to members so as to spread pension costs over employees' working lives with the Household. One of these pension schemes, managed by the Government, is not a funded scheme. As permitted by FRS 17: Retirement Benefits, this scheme is treated as a defined contribution scheme by the Grant-in-aid and the full cost of contributions made in the year is reflected in the Income and Expenditure Account.

However, FRS 17: Retirement Benefits is applicable to the second scheme, the Royal Households Group Pension Scheme, and accordingly the Income and Expenditure Account includes the cost of benefits accruing during the year in respect of current service, 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 (shown within the statement of total recognised gains and losses) and the balance sheet includes the deficit in the pension scheme taking the assets at their year-end bid-values and liabilities at their actuarially calculated values discounted using the annualised yield on the iBoxx over 15-year AA rated corporate bond index at the year end.

The Household also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Grant-in-aid in an independently administered fund. The amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the year.

Further details of the pension schemes are provided in Appendix A of the Royal Public Finances Annual report (pages 121 to 133).

#### **e) Leases**

Operating lease rentals are charged to the Income and Expenditure Account on a straight-line basis over the period of the lease.

#### **f) Fixed assets and depreciation**

##### *Heritage Assets*

- Land and Buildings

The Grant-in-aid for the Maintenance of the Occupied Palaces in England is used to maintain the land and buildings that are held by The Queen in trust for the nation and cannot be sold without the authority of the Department for Culture, Media and Sport. 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 balance sheet.

- Expenditure on Major Restoration

The cost of associated major repairs is reported in the Income and Expenditure Account in the year in which it is incurred. Where improvements are made to the buildings that are deemed to be capital in nature, they are capitalised as buildings within Fixed Assets, held at historical cost and depreciated over either 10 or 30 years.

Further information is given in Note 6 to the accounts.

##### *Other Assets*

The Treasury requires that certain fixed assets should be revalued on a modified historical cost basis. In view of the nature of the fixed assets, it is not considered appropriate to use this basis and historical cost has been applied.

Net expenditure over £5,000 on improvements to the Estate is capitalised, except where the improvements are incidental to general repair and refurbishment work; costs capitalised include related fees and VAT.

### *Depreciation*

Fixed assets are depreciated on a straight-line basis at the following rates:

- Automatic fire detection (AFD) 10 years
- Fire compartmentation 30 years
- General building improvements 10 or 30 years
- Refurbishments (commercial lettings only) 7 years
- Lifts\* 20 years
- Water mains 30 years
- Information technology equipment 3 years
- Small Plant & Tools\* 4 years
- Electrical Plant\* 10 years
- Telephone switches (grouped with IT equipment) 5 years

\* All grouped under the heading of “P&M” in the table on page 76.

All assets are subject to a half-year’s depreciation charge in the year of acquisition, with the exception of plant, information technology and telephone equipment, for which depreciation commences in the month following purchase.

Depreciation on fixed assets reinstated in 2000-01 (as set out in note 1(g)) has been charged directly to the reserve which was established at that time.

### **g) Reserves**

A fixed asset reserve was established in 2000-01 when, as a result of applying the accruals basis in accordance with the requirements of Government Resource Accounting, the past cost of fixed assets written off in the year of expenditure was reinstated on the balance sheet. The net annual movement is the difference between fixed assets acquired and depreciation.

The pension scheme deficit reserve represents the amount of the pension scheme deficit at the year end. This will need to be settled from future Sovereign Grant funding over time.

## 2. SEGMENTAL ANALYSIS

<i>Year to 31 March</i>	Total costs		Maintenance projects > £3,500	
	2012	2011	2012	2011
	£m	£m	£m	£m
Buckingham Palace	7.1	7.2	2.6	2.9
Buckingham Palace Mews and Gardens	1.8	1.3	0.6	0.2
St James's Palace	1.2	1.0	0.8	0.1
Clarence House and Marlborough House Mews	(0.3)	0.4	0.1	0.1
Kensington Palace	0.4	(0.2)	1.0	0.1
Hampton Court Mews and Paddocks	0.1	–	0.2	0.1
Windsor Castle	3.5	3.5	1.2	0.5
Windsor Castle Royal Mews	0.3	0.1	0.1	0.1
Windsor Home and Great Parks	1.0	1.1	0.3	0.4
Central costs	0.6	0.7	–	–
	<u>15.7</u>	<u>15.1</u>	<u>6.9</u>	<u>4.5</u>
Income from facilities management charge	(3.5)	(3.2)	–	–
	<u>12.2</u>	<u>11.9</u>	<u>6.9</u>	<u>4.5</u>

### Maintenance projects expenditure with a cost of £3,500 or more, analysed by category of expenditure

<i>Year to 31 March</i>	2012	2011
	£m	£m
Energy conservation	0.6	0.5
Fire precautions	0.1	0.2
Health and safety	0.5	1.5
Housing	1.1	0.1
Offices and workshops	0.2	0.2
General maintenance	4.4	2.0
	<u>6.9</u>	<u>4.5</u>

Because of the nature of other expenditure, it is not feasible to split total costs between these types of expenditure, so this information is not supplied.

The cost of maintenance projects with a cost of £3,500 or more reconciles with the total maintenance costs as follows:

<i>Year to 31 March</i>	<b>2012</b>	2011
	<b>£m</b>	£m
Maintenance projects with a cost of £3,500 or more:		
• Construction	<b>6.4</b>	4.3
• Fees	<b>0.5</b>	0.2
	<b>6.9</b>	4.5
Less: transfers to fixed assets	<b>(1.1)</b>	(0.5)
Add: depreciation	<b>0.5</b>	0.5
	<b>6.3</b>	4.5
General maintenance	<b>3.4</b>	3.3
Total projects and general maintenance	<b>9.7</b>	7.8

### 3. STAFF NUMBERS AND COSTS

#### Staff Numbers

The average number of staff paid from the Grant-in-aid during the year to 31 March was as set out below.

	<b>2012</b>	2011
Administration, Finance and Telephone Operators	<b>17</b>	18
Property Maintenance Central Unit	<b>2</b>	2
Buckingham Palace, Kensington Palace, and St James's Palace Maintenance Office	<b>31</b>	34
Hampton Court and Windsor Castle Maintenance Office	<b>17</b>	15
Fire, Health and Safety Services	<b>22</b>	23
Craftsmen	<b>11</b>	14
	<b>100</b>	106

Where staff work part-time or have part of their salary charged to the Civil List or the Royal Travel Grant-in-aid, they are recorded according to the proportion of their time devoted to, and paid for by, the Property Services Grant-in-aid.

## Payroll Costs

<i>Year to 31 March</i>	<b>2012</b>	2011
	<b>£m</b>	£m
Salaries	<b>3.0</b>	3.3
Less: housing abatements and charges	<b>(0.2)</b>	(0.2)
Overtime	<b>0.2</b>	0.2
National Insurance	<b>0.3</b>	0.3
Pension contributions	<b>0.5</b>	0.8
	<b>3.8</b>	4.4

Housing abatements and charges are deductions from salaries in respect of the provision of residential accommodation. The above costs reflect the salaries of employees who are charged directly to Property Services. Where activities are undertaken that relate to external parties or other funding sources then a recharge is raised to recover the costs. Of the above costs £0.4 million (2010-11: £0.3 million) was recharged to external and other funding sources.

Payroll costs are included under the following headings within the Income and Expenditure Account.

<i>Year to 31 March</i>	<b>2012</b>	2011
	<b>£m</b>	£m
Projects and general maintenance	<b>0.5</b>	0.5
Supervision	<b>1.2</b>	1.2
Utilities	<b>0.2</b>	0.3
Fire, health and safety services	<b>0.9</b>	1.0
Gardens	<b>0.4</b>	0.4
Furniture and equipment	<b>0.4</b>	0.5
Central administration	<b>0.2</b>	0.5
	<b>3.8</b>	4.4

## 4. PENSION ARRANGEMENTS

Details of the pension schemes operating for employees of the Royal Household are provided in Appendix A of the Royal Public Finances Annual Report on pages 121 to 133.

## 5. TOTAL NET EXPENDITURE

Total net expenditure is stated after (crediting)/charging:

<i>Year to 31 March</i>	2012	2011
	£m	£m
Depreciation	0.6	0.6

The Auditors' remuneration for the audit was £52,000 (2010-11: £51,000). There were no additional fees paid to the Auditors during 2011-12 (2010-11: nil).

## 6. HERITAGE ASSETS NOT RECOGNISED IN THE BALANCE SHEET

The Grant-in-aid for the Maintenance of the Occupied Palaces in England is used to maintain the following properties 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 by The Queen in trust for the nation and cannot be sold without the authority of the Department for Culture, Media and Sport.

During the past 5 years there have been no acquisitions or disposals of heritage assets.

The Property Services Grant-in-aid aims to maintain the Estate in as good a state of repair as is possible within the constraints of available funding. A web based system is used to record actual condition against target condition for these assets and this is used to determine the backlog in essential maintenance across the Estate. The ongoing cost of maintenance and upkeep is reported in the Income and Expenditure Account in the year in which it is incurred. Where improvements are made to the buildings that are deemed to be capital in nature, they are capitalised as buildings within Fixed Assets, held at historical cost and depreciated over either 10 or 30 years.

The Occupied Royal Palaces are 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 Queen.

## 7. FIXED ASSETS

Asset category	AFD	Fire comp	Buildings	Refurb	P&M	Water mains	AIC	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost</b>								
At 1 April 2011	1.3	6.7	8.8	1.1	2.8	0.2	–	20.9
Additions	0.1	–	–	–	0.5	–	0.5	1.1
Disposals	(1.0)	–	–	(0.6)	(0.1)	–	–	(1.7)
At 31 March 2012	<b>0.4</b>	<b>6.7</b>	<b>8.8</b>	<b>0.5</b>	<b>3.2</b>	<b>0.2</b>	<b>0.5</b>	<b>20.3</b>
<b>Depreciation</b>								
At 1 April 2011	1.1	3.1	2.7	1.1	1.6	0.1	–	9.7
Charge for the year	–	0.2	0.4	–	0.3	–	–	0.9
Disposals	(1.0)	–	–	(0.6)	(0.1)	–	–	(1.7)
At 31 March 2012	<b>0.1</b>	<b>3.3</b>	<b>3.1</b>	<b>0.5</b>	<b>1.8</b>	<b>0.1</b>	<b>–</b>	<b>8.9</b>
<b>Net book value</b>								
At 31 March 2012	<b>0.3</b>	<b>3.4</b>	<b>5.7</b>	<b>–</b>	<b>1.4</b>	<b>0.1</b>	<b>0.5</b>	<b>11.4</b>
At 1 April 2011	0.2	3.6	6.1	–	1.2	0.1	–	11.2

### Explanation of abbreviations used above

“Fire comp” refers to fire compartmentation. “Buildings” refers to various projects in which building improvement has occurred, and “Refurb” refers to the betterment element for properties which are to be let commercially. “P&M” refers to tools, items of small or electrical plant, lifts and information technology equipment. “AIC” refers to assets in the course of construction. These assets will be transferred to the correct category and depreciated from the date of completion.

Of the fixed asset depreciation of £0.9 million, £0.6 million has been charged to the Income and Expenditure Account and £0.3 million to the Fixed Asset Reserve.

## 8. DEBTORS

<i>As at 31 March</i>	2012	2011
	£m	£m
Recharges	0.2	0.3
Amounts owed by related parties (see note 12)	4.8	3.2
	<b>5.0</b>	<b>3.5</b>

## 9. CREDITORS

<i>As at 31 March</i>	2012 £m	2011 £m
<b>Amounts falling due within one year:</b>		
Suppliers and accruals	2.0	2.3
Other creditors including taxation	0.2	0.1
	<u>2.2</u>	<u>2.4</u>

## 10. RESERVES

Funds contributed by or (required from) the Department for Culture, Media and Sport	Fixed asset reserve £m	For net current liabilities £m	Pension scheme deficit £m	Total £m
As at 1 April 2011	11.2	1.2	(1.1)	11.3
Actuarial loss on Group Pension Scheme	–	–	(0.9)	(0.9)
Depreciation charged directly to fixed asset reserve	(0.3)	–	–	(0.3)
Net funding for working capital	–	2.1	0.3	2.4
As at 31 March 2012	<u>10.9</u>	<u>3.3</u>	<u>(1.7)</u>	<u>12.5</u>

## 11. COMMITMENTS

<i>As at 31 March</i>	2012 £m	2011 £m
Contractual commitments:		
• Contracted	2.0	1.0
• Authorised but not contracted	2.0	2.4

## 12. RELATED PARTY TRANSACTIONS

The Civil List, the Royal Collection Trust, Royal Collection Enterprises, the Privy Purse and other Royal Households are regarded as related parties. Material transactions with these related parties during the year are summarised below.

	<b>2012</b>	2011	<b>2012</b>	2011
	<b>£m</b>	£m	<b>£m</b>	£m
	<b>Balance due from:</b>		<b>Recoveries from:</b>	
Civil List	–	–	<b>0.1</b>	0.1
The Royal Collection Trust and Royal Collection Enterprises	<b>4.7</b>	3.2	<b>4.8</b>	3.8
Privy Purse	–	–	<b>0.2</b>	0.2
Other Royal Households	–	–	<b>0.3</b>	0.3
	<b>Balance due to:</b>		<b>Charged by:</b>	
Civil List	<b>0.1</b>	0.1	<b>0.5</b>	0.7

Recoveries from the Civil List relate to work undertaken for the Royal Wedding which was subsequently recharged to the Household of The Prince of Wales and Duchess of Cornwall and the Privy Purse. Recoveries made from The Royal Collection Trust and Royal Collection Enterprises include the Windsor Castle and Buckingham Palace facilities management charges, 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 for project management services. Recoveries from other Royal Households mainly relate to property maintenance.

Charges to the Grant-in-aid from the Civil List relate to management fees for various services provided by Civil List staff including catering, cleaning and the provision of internal audit, security liaison and information systems services.

None of the management group or other related parties, except as referred to above, has undertaken any material transactions with the Grant-in-aid during the year.

## 13. CONTINGENT LIABILITIES

The Grant-in-aid had no contingent liabilities at the year end (2010-11: nil).

## FIVE YEAR INFORMATION

### INCOME AND EXPENDITURE ACCOUNT

Year to 31 March	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Revenue Grant-in-aid voted by Parliament	14.6	14.6	15.0	15.0	15.0
Capital Grant-in-aid drawn down	–	–	–	1.1	0.7
<b>Grant-in-aid drawn down</b>	<b>14.6</b>	<b>14.6</b>	<b>15.0</b>	<b>16.1</b>	<b>15.7</b>
Property Maintenance					
Projects with a cost of £3,500 or more:					
• construction	6.4	4.3	6.2	5.7	5.3
• fees	0.5	0.2	0.3	0.4	0.4
	6.9	4.5	6.5	6.1	5.7
Less: transfers to fixed assets	(1.1)	(0.5)	(0.7)	(0.5)	(0.6)
Add: depreciation	0.5	0.5	0.4	0.3	0.2
General maintenance	3.4	3.3	3.7	3.9	3.7
Less: Income from facilities management charges	(3.5)	(3.2)	(2.3)	(2.0)	(1.8)
Supervision	1.3	1.4	1.4	1.5	1.4
	7.5	6.0	9.0	9.3	8.6
Utilities	2.1	2.2	2.3	2.3	2.2
Fire, health and safety services	1.2	1.2	1.2	1.3	1.3
Non-domestic rates	0.4	0.9	0.9	0.9	0.8
Court Post Office	0.6	0.6	0.6	0.6	0.6
Gardens	0.8	0.8	0.7	0.7	0.9
Furniture and equipment	0.3	0.6	0.7	0.6	0.6
Central administration	0.5	0.5	0.5	0.4	0.3
Pensions finance charge	–	–	0.2	–	–
Information systems	0.3	0.2	0.3	0.4	0.3
Rent and other recoveries	(1.7)	(1.3)	(1.3)	(1.2)	(1.0)
Maintenance of commercial properties	0.2	0.2	0.3	0.2	0.7
<b>Total net expenditure</b>	<b>12.2</b>	<b>11.9</b>	<b>15.4</b>	<b>15.5</b>	<b>15.3</b>
<b>Net funding for /(from) fixed assets and working capital</b>	<b>2.4</b>	<b>2.7</b>	<b>(0.4)</b>	<b>0.6</b>	<b>0.4</b>

## PROPERTY MAINTENANCE

### Maintenance projects expenditure analysed by category of expenditure

<i>Year to 31 March</i>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Energy conservation	0.6	0.5	0.1	0.3	0.3
Fire precautions	0.1	0.2	0.4	0.3	0.2
Health and safety	0.5	1.5	2.6	1.1	0.7
Housing	1.1	0.1	0.4	1.0	0.7
Offices and workshops	0.2	0.2	0.2	0.4	0.3
General maintenance	4.4	2.0	2.8	3.0	3.5
	<b>6.9</b>	<b>4.5</b>	<b>6.5</b>	<b>6.1</b>	<b>5.7</b>

The classification of expenditure into the categories shown above is on an approximate basis, with each project generally allocated to one category, rather than analysed between a number of categories, according to the main purpose of the work.

### Maintenance projects expenditure analysed by location

<i>Year to 31 March</i>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Buckingham Palace	2.6	2.9	3.9	2.2	1.7
Buckingham Palace Mews and Gardens	0.6	0.2	0.9	0.8	0.4
St James's Palace	0.8	0.1	0.5	0.7	0.5
Clarence House and Marlborough House Mews	0.1	0.1	–	0.2	0.5
Kensington Palace	1.0	0.1	0.1	0.3	0.3
Hampton Court Mews and Paddocks	0.2	0.1	0.1	0.2	0.1
Windsor Castle	1.2	0.5	0.3	0.8	1.7
Windsor Castle Royal Mews	0.1	0.1	0.1	0.4	0.4
Windsor Home and Great Parks	0.3	0.4	0.6	0.5	0.1
	<b>6.9</b>	<b>4.5</b>	<b>6.5</b>	<b>6.1</b>	<b>5.7</b>

ANALYSIS BY PALACE

<i>Year to 31 March</i>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Buckingham Palace	7.1	7.2	9.3	8.0	5.9
Buckingham Palace Mews and Gardens	1.8	1.3	1.4	1.4	2.1
St James's Palace	1.2	1.0	1.3	1.7	1.5
Clarence House and Marlborough House Mews	(0.3)	0.4	0.3	0.5	0.8
Kensington Palace	0.4	(0.2)	(0.2)	–	0.7
Hampton Court Mews and Paddocks	0.1	–	0.2	0.3	0.3
Windsor Castle	3.5	3.5	3.3	3.3	3.7
Windsor Castle Royal Mews	0.3	0.1	0.2	0.4	0.7
Windsor Home and Great Parks	1.0	1.1	1.1	0.8	0.7
Central costs	0.6	0.7	0.8	1.1	0.7
	<u>15.7</u>	<u>15.1</u>	<u>17.7</u>	<u>17.5</u>	<u>17.1</u>
Less: Income from facilities management charges	(3.5)	(3.2)	(2.3)	(2.0)	(1.8)
	<u><b>12.2</b></u>	<u><b>11.9</b></u>	<u><b>15.4</b></u>	<u><b>15.5</b></u>	<u><b>15.3</b></u>

## STAFF NUMBERS AND COSTS

### Staff Numbers

<i>As at 31 March</i>	2012	2011	2010	2009	2008
Administration, Finance and Telephone Operators	17	18	18	16	13
Property Maintenance Central Unit	2	2	3	3	3
Buckingham Palace, Kensington Palace and St James's Palace Maintenance Office	31	34	35	36	36
Hampton Court and Windsor Castle Maintenance Office	17	15	18	18	17
Fire, Health and Safety Services	22	23	23	22	23
Craftsmen	11	14	14	14	13
	<b>100</b>	<b>106</b>	<b>111</b>	<b>109</b>	<b>105</b>

### Payroll Costs

<i>Year to 31 March</i>	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Salaries	3.0	3.3	3.3	3.2	3.0
Less: housing abatements and charges	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Overtime	0.2	0.2	0.2	0.2	0.2
National insurance	0.3	0.3	0.3	0.3	0.3
Pension contributions	0.5	0.8	0.8	0.8	0.7
	<b>3.8</b>	<b>4.4</b>	<b>4.4</b>	<b>4.3</b>	<b>4.0</b>

## PERFORMANCE INDICATORS AND OPERATING RATIOS

<i>Year to 31 March</i>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	%	%	%	%	%
<b>Funding</b>					
Movement in voted revenue Grant-in-aid in:					
• absolute terms	–	-3.0	–	–	–
• real terms	-4.7	-5.1	-4.8	-2.2	-3.5
<b>Property Maintenance</b>					
Fees and other indirect costs as a percentage of construction costs	19.3	20.1	17.0	18.2	17.0
Projects with a construction cost of £25,000 or more completed with a cost overrun of no more than:					
• 5% of the let tender amount	93	87	77	76	76
• the greater of £20,000 and 10% of the let tender amount	96	97	98	98	100
Percentage of fixed price contracts with construction cost of £25,000 or more let without competitive tendering	–	–	–	–	–
<b>Telephones</b>					
Movement in costs in real terms	-7.8	-10.5	-18.4	-1.6	-21.0
<b>Energy Consumption</b>					
Electricity consumption	-4.6	-12.6	14.0	-1.6	-7.4
Gas consumption	-22.4	12.2	-3.8	3.3	-0.1
Water consumption	7.6	11.2	-3.3	-3.1	26.7
<b>Supplier Payments</b>					
Percentage paid within:					
• 30 days	88	84	83	77	93
• 40 days	94	90	92	87	97
• 50 days of receipt of invoice	96	93	95	91	98
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
<b>Average Weekly no. of AFD activations</b>	8	7	8	7	6
<b>Staff Numbers</b>	100	106	111	109	105

Adjustments have been made to restate expenditure in real terms using the inflation indices given on page 84.

# INFLATION INDICES

		2011-12	2010-11	2009-10	2008-09	2007-08
		%	%	%	%	%
<b>Inflation index</b>						
Retail price	(a)	3.8	5.4	4.8	2.2	3.5
Tender price <sup>1</sup>	(b)	0.4	3.3	-10.0	-3.2	5.0
Building cost	(b)	2.5	4.0	1.7	4.0	4.6
Pay	(c)	0.3	1.5	3.7	5.2	5.2
Electricity	(d)	-3.8	-5.2	22.4	50.0	-11.0
Gas	(d)	6.9	-4.2	15.4	55.0	-26.0
Water	(d)	2.5	2.1	4.5	5.7	5.7
Telephones	(d)	2.5	3.5	0.0	0.0	0.0

## Sources

- (a) Consumer Prices and General Inflation Branch of the Office of National Statistics.
- (b) Building Cost Information Service of the Royal Institution of Chartered Surveyors, Quarterly Review of Building Prices.
- (c) Royal Household personnel database.
- (d) The indices are in-house estimates based on information from suppliers. This is applied because the consumer price index and bulk prices have very different inflation profiles.

When restating expenditure and income in real terms the pay index is applied to payroll costs, the telephones index to non-pay telephones expenditure and the retail price index to all other income and expenditure.

<sup>1</sup> Because an accurate figure for the year to 31 March is not available by the time the annual report is published, the figure is based on a forecast figure.

# ROYAL COMMUNICATIONS AND INFORMATION

## INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31 March</i>	Note	2012 £m	2011 £m
Amount of Grant-in-aid voted by Parliament		<u>0.5</u>	<u>0.5</u>
<b>Grant-in-aid drawn down</b>		<u>0.5</u>	<u>0.5</u>
<b>Royal Visits</b>		<u>0.1</u>	<u>0.1</u>
<b>General Communications</b>			
Press Office salaries		0.2	0.3
Website		0.1	0.1
		<u>0.3</u>	<u>0.4</u>
<b>Total net expenditure</b>	2	<u>0.4</u>	<u>0.5</u>
<b>Net funding for working capital</b>		<u>0.1</u>	<u>–</u>

## BALANCE SHEET

<i>As at 31 March</i>	2012 £m	2011 £m
<b>Current assets</b>		
Cash at bank	0.1	–
<b>Creditors: amounts falling due within one year</b>		
Suppliers	<span style="border: 1px solid black; padding: 2px;">–</span>	<span style="border: 1px solid black; padding: 2px;">–</span>
	–	–
<b>Net assets</b>	<u>0.1</u>	<u>–</u>
<b>Funds contributed by the Department for Culture, Media and Sport</b>	<u>0.1</u>	<u>–</u>

# CASHFLOW STATEMENT

	2012	2011
	£m	£m
<b>Reconciliation of total net expenditure to Grant-in-aid</b>		
Total net expenditure	(0.4)	(0.5)
<b>Net cash outflow from activities and before financing</b>	<b>(0.4)</b>	<b>(0.5)</b>
Grant-in-aid drawn down	0.5	0.5
<b>Increase in cash</b>	<b>0.1</b>	<b>–</b>

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts.

#### a) Basis of preparation

The accounts are prepared in accordance with the combined accounts direction given by the Treasury as set out in Appendix B (pages 134 to 136) and have been prepared in accordance with applicable accounting standards, the Government Financial Reporting Manual (FRM) and under the historical cost accounting rules.

#### b) Pensions costs

The Household operates the Royal Households Group Pension Scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Grant-in-aid. Contributions to the scheme are charged to the Income and Expenditure Account so as to spread the cost of pensions over employees' working lives with the Household. Employer's pension contributions are recognised in the Income and Expenditure Account on an accruals basis. Further details of the pension schemes are provided in Appendix A of the Royal Public Finance Annual report on pages 121 to 133.

## 2. TOTAL NET EXPENDITURE

The Auditors' remuneration for the audit was £4,000 (2010-11: £2,000). During 2010-11 and 2011-12 no other services were provided by the Auditors except for the audit.

## 3. RELATED PARTY TRANSACTIONS

The Civil List and other Royal Households are regarded as related parties. Material transactions with these related parties during the year are summarised below.

	2012 £m	2011 £m	2012 £m	2011 £m
	<b>Balance due from:</b>		<b>Recoveries from:</b>	
Other Royal Households	–	–	0.1	–
	<b>Balance due to:</b>		<b>Charged by:</b>	
Civil List	–	–	0.1	0.1
Other Royal Households	–	–	0.1	0.1

Charges to the Grant-in-aid are mainly from the Civil List and relate to management fees charged for various services provided by Civil List staff including catering, cleaning and the provision of internal audit, security liaison and information systems services.

Charges to the Grant-in-aid from other Royal Households relate to payments to The Prince of Wales's office to cover costs in respect of The Prince of Wales's royal function and engagements.

# REPORT OF KPMG LLP TO THE LORD CHAMBERLAIN

We have audited the accounts of the Grant-in-aid for the maintenance of the Occupied Royal Palaces and Royal Communications (“the Grants-in-aid”) which comprise the income and expenditure accounts, the balance sheets, the cash flow statements, the statements of total recognised gains and losses and the related notes including the introductory paragraphs and section 2 of the Royal Public Finances Appendix A (the “accounts”). These accounts have been prepared using the accounting policies set out on pages 69 to 71 and 86 respectively.

Our report is designed to meet the agreed requirements of the Lord Chamberlain determined by the Lord Chamberlain at the time. Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Lord Chamberlain for any purpose or in any context. Any party other than the Lord Chamberlain who obtains our report or a copy and chooses to rely on our report (or any part of it) will do so at their own risk. To the fullest extent permitted by law KPMG LLP will accept no responsibility or liability in respect of our work to any other party.

## **Respective responsibilities of the Keeper of the Privy Purse and KPMG LLP**

The Keeper of the Privy Purse is responsible for preparing the accounts for each financial year, which includes an account of the stewardship of the Grant-in-aid, in a form and content approved by the Department for Culture, Media and Sport. The Keeper of the Privy Purse is also responsible for ensuring the regularity of financial transactions and for the preparation of the other contents of the Annual Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the accounts give a true and fair view and have been properly prepared on the stated basis. We also report to you whether in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding. We also report to you whether in our opinion the information given in the Annual Report is consistent with the accounts. The information given in the Annual Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Annual Report.

In addition we report to you if, in our opinion, the Royal Household has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and financial regularity of financial transactions included within the accounts. It also includes an assessment of the significant estimates and judgements made by the Keeper of the Privy Purse in preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Grant-in-aid and are consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, where caused by fraud or other irregularity or error and that in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the accounts.

### **Opinion**

In our opinion:

- the accounts give a true and fair view of the state of affairs of the Grants-in-aid at 31 March 2012 and the results for the year then ended and have been properly prepared on the basis of the accounting policies set out therein;
- the accounts have been prepared in accordance with the requirements of the combined accounts direction, as notified to the Royal Household by the Treasury;
- the information in the Annual Report is consistent with the accounts; and
- in all material respects, the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding and the financial transactions conform to the authorities which govern them.

W Meredith

For and on behalf of **KPMG LLP**

Chartered Accountants

London

7 June 2012



**The Grant-in-aid for  
Royal Travel by Air and Rail**

*Annual Report 2011-12*



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# INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31 March</i>	Note	2012 £m	2011 £m
<b>Grant-in-aid Voted by Parliament</b>		<b>7.0</b>	7.0
Grant-in-aid drawn down		6.1	6.1
Amounts repayable to the Department for Transport		(0.1)	–
<b>Grant-in-aid for the year</b>		<b>6.0</b>	6.1
<b>Air travel</b>			
Helicopters		2.4	2.4
Fixed wing (civil operators)		2.2	2.2
Fixed wing (32 Squadron)		0.1	–
		4.7	4.6
<b>Rail travel</b>		<b>0.9</b>	0.9
<b>Administration and other</b>		<b>0.5</b>	0.5
<b>Total net expenditure</b>	5	<b>6.1</b>	6.0
<b>Net funding (from) / for fixed assets and working capital</b>	10	<b>(0.1)</b>	0.1

The results shown above relate to continuing activities. Total net expenditure in 2011-12 includes £0.2 million in respect of VAT (2010-11: £0.2 million).

The accounting policies are summarised on pages 98 to 99. The Income and Expenditure Account should also be read in conjunction with the Statement of Total Recognised Gains and Losses, the Balance Sheet and Cash Flow Statement on pages 95, 96, and 97 respectively.

Grant-in-aid retained by the Department for Transport amounted to £1.0 million (2010-11: £0.9 million).

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31 March</i>	Note	2012 £m	2011 £m
<b>Net funding (from) / for fixed assets and working capital</b>		<b>(0.1)</b>	0.1
Actuarial loss for the year	4	<b>(0.2)</b>	–
Total recognised (losses) / gains relating to the year		<b><u>(0.3)</u></b>	<b><u>0.1</u></b>

# BALANCE SHEET

<i>As at 31 March</i>	Note	2012 £m	2011 £m
<b>Fixed assets</b>	7	–	–
<b>Current assets</b>			
Debtors	8	0.2	0.2
Cash at bank and in hand		0.8	0.8
		1.0	1.0
<b>Creditors: amounts falling due within one year</b>	9	<b>(0.5)</b>	(0.4)
<b>Net current assets</b>		0.5	0.6
<b>Net assets excluding pension scheme asset</b>		–	0.6
<b>Pension scheme asset</b>	4	<b>0.1</b>	0.3
<b>Net assets</b>		<b>0.6</b>	0.9
<b>Funds contributed by the Department for Transport</b>			
Pension scheme reserve	4	<b>0.1</b>	0.3
Net current assets		<b>0.5</b>	0.6
	10	<b>0.6</b>	0.9

**Sir Alan Reid**

Keeper of the Privy Purse

7 June 2012

# CASH FLOW STATEMENT

<i>Year to 31 March</i>	2012 £m	2011 £m
<b>Reconciliation of total net expenditure to Grant-in-aid</b>		
Total net expenditure	(6.1)	(6.0)
Increase in creditors	0.1	0.1
<b>Net cash outflow from activities and before financing</b>	<b>(6.0)</b>	<b>(5.9)</b>
Grant-in-aid drawn down	6.0	6.1
<b>Increase in cash</b>	<b>–</b>	<b>0.2</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation of cash balances</b>	2012 £m	2011 £m
Cash at bank as at start of year	0.8	0.6
Net increase in cash	–	0.2
<b>Cash at bank as at 31 March</b>	<b>0.8</b>	<b>0.8</b>
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts.

### a) Basis of preparation

The accounts are prepared in accordance with the combined accounts direction given by the Treasury as set out in Appendix B (pages 134 to 136) and have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

### b) Income

Grant-in-aid from the Department for Transport is taken to the Income and Expenditure Account in the year it is received. Grant-in-aid not required to fund net liabilities is repayable to the Department for Transport and is provided for within the accounts.

All other income is accounted for on a receivable basis.

### c) Pensions

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

FRS 17: Retirement Benefits is applicable to this scheme, and accordingly the Income and Expenditure Account includes the cost of benefits accruing during the year in respect of current service, 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 (shown within the statement of total recognised gains and losses) and the balance sheet includes the deficit in the pension scheme, taking the assets at their year-end bid-values and liabilities at their actuarially calculated values discounted using the annualised yield on the iBoxx over 15 year AA rated corporate bond index at the year end.

The Household also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Grant-in-aid in an independently administered fund. The amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the year.

Further details of the pension schemes are provided in Appendix A of the Royal Public Finances Annual Report on pages 121 to 133.



## 2. SEGMENTAL ANALYSIS

<i>Year to 31 March</i>	Fixed costs		Variable costs		Total costs	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
<b>Air travel</b>						
Helicopters	1.5	1.6	0.9	0.8	2.4	2.4
Fixed wing (civil operators)	–	–	2.2	2.2	2.2	2.2
Fixed wing (32 Squadron)	–	–	0.1	–	0.1	–
	<u>1.5</u>	<u>1.6</u>	<u>3.2</u>	<u>3.0</u>	<u>4.7</u>	<u>4.6</u>
<b>Rail travel</b>						
Royal Train and other	0.6	0.6	0.3	0.3	0.9	0.9
<b>Administration and other</b>	0.5	0.5	–	–	0.5	0.5
<b>Total net expenditure</b>	<u>2.6</u>	<u>2.7</u>	<u>3.5</u>	<u>3.3</u>	<u>6.1</u>	<u>6.0</u>

## 3. STAFF NUMBERS AND COSTS

### Staff Numbers

Staff paid from the Grant-in-aid are as set out below.

<i>As at 31 March</i>	2012	2011
Royal Travel Office	3	3
The Queen's Helicopter Flight	9	9
Administration and Finance	1	2
	<u>13</u>	<u>14</u>

Where staff work part-time or have part of their salary charged to the Civil List or to the Property Services Grant-in-aid (in each case according to time spent) they are recorded according to the proportion of their time paid for by the Royal Travel Grant-in-aid. Those who work for less than 10% of their time on royal travel matters are not included in the above table.

### Payroll Costs

<i>Year to 31 March</i>	2012 £m	2011 £m
Salaries	0.7	0.7
National insurance	0.1	0.1
Pension contributions	0.1	0.2
	<u>0.9</u>	<u>1.0</u>

#### 4. PENSION ARRANGEMENTS

Details of the pension schemes operating for employees of the Royal Household are provided in Appendix A of the Royal Public Finances Annual Report on pages 121 to 133.

#### 5. TOTAL NET EXPENDITURE

Total net expenditure is stated after charging:

<i>Year to 31 March</i>	<b>2012</b>	2011
	<b>£m</b>	£m
Helicopter operating lease	<b>0.5</b>	0.5

The Auditors' remuneration for the audit was £22,000 (2010-11: £19,000). During 2011-12 and 2010-11 no additional fees were paid to the Auditors.

#### 6. RELATED PARTY TRANSACTIONS

The Civil List is regarded as a related party. Material transactions with this related party are set out below.

	<b>2012</b>	2011	<b>2012</b>	2011
	<b>£m</b>	£m	<b>£m</b>	£m
	<b>Balance due to:</b>		<b>Charged by:</b>	
The Civil List	–	–	<b>0.1</b>	0.1

Charges to Royal Travel are mainly management fees charged by the Civil List for various services including catering, cleaning and the provision of internal audit, security liaison and information systems services.

None of the key staff employed by Royal Travel has undertaken any material transaction with Royal Travel during the year.

## 7. FIXED ASSETS

	Helicopter operation equipment £m
<b>Cost</b>	
At 1 April 2011	0.1
Disposals	(0.1)
At 31 March 2012	<u>–</u>
<b>Depreciation</b>	
At 1 April 2011	0.1
Charge for the year	–
Disposals	(0.1)
At 31 March 2012	<u>–</u>
<b>Net book value</b>	
At 31 March 2012	<u>–</u>
At 1 April 2011	<u>–</u>

## 8. DEBTORS

<i>As at 31 March</i>	2012 £m	2011 £m
Recharges	<u>0.2</u>	<u>0.2</u>
	<u>0.2</u>	<u>0.2</u>

## 9. CREDITORS

<i>As at 31 March</i>	2012 £m	2011 £m
<b>Amounts falling due within one year:</b>		
Suppliers	0.4	0.4
Other creditors	<u>0.1</u>	<u>–</u>
	<u>0.5</u>	<u>0.4</u>

## 10. RESERVES

	Net current assets	Pension scheme reserve	Total
	£m	£m	£m
Funds contributed by the Department for Transport			
As at 1 April 2011	0.6	0.3	0.9
Actuarial loss on Group Pension Scheme	–	(0.2)	(0.2)
Net funding for working capital	(0.1)	–	(0.1)
As at 31 March 2012	<b>0.5</b>	<b>0.1</b>	<b>0.6</b>

## 11. COMMITMENTS

At 31 March 2012 there were commitments in respect of the fixed costs of the Royal Train and the helicopter safety system amounting to £0.3 million, which will be paid from the Sovereign Grant during 2012-13 (£0.3 million at 31 March 2011).

In addition, annual commitments under the helicopter operating lease and associated contracts are as follows:

<i>As at 31 March</i>	2012 £m	2011 £m
Expiring in less than one year	0.4	0.3
Expiring in more than 5 years	0.5	0.5

## 12. CONTINGENT LIABILITIES

The Grant-in-aid had no contingent liabilities at the year end (2010-11: nil).

# FIVE YEAR INFORMATION

## INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31 March</i>	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Grant-in-aid Voted by Parliament	7.0	7.0	7.3	7.4	6.4
Grant-in-aid drawn down	6.1	6.1	5.0	6.4	6.4
Amounts repayable to the Department for Transport	(0.1)	–	–	–	–
<b>Grant-in-aid for the year</b>	<b>6.0</b>	<b>6.1</b>	<b>5.0</b>	<b>6.4</b>	<b>6.4</b>
<b>Air travel</b>					
Helicopters – fixed costs	1.5	1.6	1.4	1.6	1.6
Helicopters – variable costs	0.9	0.8	0.7	0.7	0.6
Fixed wing (civil operators) – variable costs	2.2	2.2	1.6	2.6	2.2
Fixed wing (32 Squadron) – variable costs	0.1	–	0.2	0.4	0.4
	4.7	4.6	3.9	5.3	4.8
<b>Sea travel</b>	–	–	–	–	0.2
<b>Rail travel</b>					
Royal Train – fixed costs	0.6	0.6	0.6	0.5	0.4
Royal Train – variable costs	0.3	0.3	0.4	0.3	0.5
	0.9	0.9	1.0	0.8	0.9
<b>Administration and other</b>	0.5	0.5	0.5	0.4	0.3
<b>Exceptional item – helicopter lease refund</b>	–	–	(1.5)	–	–
<b>Total net expenditure</b>	<b>6.1</b>	<b>6.0</b>	<b>3.9</b>	<b>6.5</b>	<b>6.2</b>
<b>Net funding (from) / for fixed assets and working capital</b>	<b>(0.1)</b>	<b>0.1</b>	<b>1.1</b>	<b>(0.1)</b>	<b>0.2</b>

## PERFORMANCE INDICATORS AND OPERATING RATIOS

<i>Year to 31 March</i>	2012	2011	2010	2009	2008
<b>Funding</b>					
Movement in total net expenditure before exceptional items in:	%	%	%	%	%
• absolute terms	+1.3	+13.0	-15.5	+4.8	+10.7
• real terms	-2.5	+7.6	-19.5	+2.6	+7.2
<b>Mileage Cost</b>					
Total cost per mile travelled:					
• by air	£14	£17	£14	£13	£15
• by rail	£42	£50	£55	£53	£40
<b>Supplier Payments</b>					
Invoices paid within:	%	%	%	%	%
• 30 days	90	83	83	79	90
• 40 days	97	94	93	90	98
• 50 days of receipt of invoice	99	96	96	93	99
<b>Staff Numbers</b>	13	14	14	13	13

# REPORT OF KPMG LLP TO THE LORD CHAMBERLAIN

We have audited the accounts of the Grant-in-aid for Royal Travel by Air and Rail (“the Grant-in-aid”) which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes including the introductory paragraphs and section 3 of the Royal Public Finances Appendix A (the “accounts”). These accounts have been prepared using the accounting policies set out on pages 98 to 99.

Our report is designed to meet the agreed requirements of the Lord Chamberlain determined by the Lord Chamberlain at the time. Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Lord Chamberlain for any purpose or in any context. Any party other than the Lord Chamberlain who obtains our report or a copy and chooses to rely on our report (or any part of it) will do so at their own risk. To the fullest extent permitted by law KPMG LLP will accept no responsibility or liability in respect of our work to any other party.

## **Respective responsibilities of the Keeper of the Privy Purse and KPMG LLP**

The Keeper of the Privy Purse is responsible for preparing the accounts for each financial year, which includes an account of the stewardship of the Grant-in-aid, in a form and content approved by the Department for Transport. The Keeper of the Privy Purse is also responsible for ensuring the regularity of financial transactions and for the preparation of the other contents of the Annual Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the accounts give a true and fair view and have been properly prepared on the stated basis. We also report to you whether in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding. We also report to you whether in our opinion the information given in the Annual Report is consistent with the accounts. The information given in the Annual Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Annual Report.

In addition we report to you if, in our opinion, the Royal Household has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and financial regularity of financial transactions included within the accounts. It also includes an assessment of the significant estimates and judgements made by the Keeper of the Privy Purse in preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Grant-in-aid and are consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, where caused by fraud or other irregularity or error and that in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the accounts.

### **Opinion**

In our opinion:

- the accounts give a true and fair view of the state of affairs of the Grant-in-aid at 31 March 2012 and the surplus for the year then ended and have been properly prepared on the basis of the accounting policies set out therein;
- the accounts have been prepared in accordance with the requirements of the combined accounts direction, as notified to the Royal Household by the Treasury;
- the information in the Annual Report is consistent with the accounts; and
- in all material respects, the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding and the financial transactions conform to the authorities which govern them.

W Meredith

For and on behalf of **KPMG LLP**  
Chartered Accountants

London  
7 June 2012

## APPENDIX 1: JOURNEYS COSTING £10,000 OR MORE

The journeys listed in this appendix are only those undertaken by air or rail and funded from the Royal Travel Grant-in-aid. They account for approximately 14% of all royal engagements in 2011-12. The appendix does not detail journeys which cost less than £10,000 for the whole party, or include journeys by car. It should also be noted that the costs shown below for The Queen's Helicopter and the Royal Train are the variable costs only. Fixed costs are not included because they are payable irrespective of whether The Queen's Helicopter or Royal Train is used and do not result from undertaking specific journeys. Costs for chartered and scheduled air and rail represent the total cost of the journey (because all costs are variable). For some overseas tours, in-theatre charter aircraft are used due to the lack of local scheduled flights which fit the timings of the programmes. The costs of journeys include those relating to positioning, where applicable. A key to the abbreviations is given on page 115.

Household	Method of travel	Date	Itinerary	Cost (£)
The Prince of Wales and The Duchess of Cornwall	BAe 146	1-6 Apr	Madrid - Seville - Granada - Sale - Fez - Saiss - NHT	38,333
<i>FCO visit to Portugal, Spain and Morocco.</i>				
The Queen and The Duke of Edinburgh	Charter flight	1 Apr	NHT - Valley - NHT	13,787
<i>Visit RAF Valley.</i>				
The Duke of York	Scheduled flight	4-8 Apr	LHR - Jakarta - LHR	28,664
<i>UKTI visit to Indonesia.</i>				
The Princess Royal	S76	18-21 Apr	GP - Mansfield - Nottingham - Dundee Apt	10,093
<i>Regional visits to Mansfield, Nottingham, Dundee, Edinburgh, Glasgow, Helensburgh and Loch Lomond.</i>				
The Princess Royal	Charter flight	6-7 Apr	BP - Coventry - Oxford - Runcorn - Liverpool - GP	11,234
<i>Regional visits to Coventry, Oxford, Aintree and London.</i>				
The Prince of Wales	Royal Train	27 Apr	Ayr - Kensington Olympia	20,521
<i>Attend the reopening of Dumfries House followed by a reception and dinner; receive various Heads of States and Prime Ministers at Clarence House.</i>				
The Princess Royal	Charter Flight	3-4 May	GP - Jersey - Newbury - BP	10,840
<i>Regional visits to Jersey, Newbury and London.</i>				

<b>Household</b>	<b>Method of travel</b>	<b>Date</b>	<b>Itinerary</b>	<b>Cost (£)</b>
The Duke of York	Scheduled flight	14-20 May	LHR - Beijing, Hong Kong - LHR	27,700
	Charter Flight	17-19 May	Beijing - Chongqing - Chengdu - Hong Kong	62,215
<i>UKTI visit to China.</i>				
The Queen and The Duke of Edinburgh	Charter flight	17-20 May	NHT - Dublin, Cork - NHT	47,500
<i>State Visit to Ireland.</i>				
Staff (The Duke and Duchess of Cambridge)	Scheduled flight	21 May	Los Angeles - LHR	15,094
<i>Reconnaissance visit in advance of FCO visit by TRH The Duke and Duchess of Cambridge to the USA.</i>				
The Queen and The Duke of Edinburgh	Royal Train	25-26 May	Euston - Dunkeld - Kingussie - Edinburgh	23,640
<i>HM The Queen: Residence to residence. HRH The Duke of Edinburgh: Visit RAF Kinloss and regional visit to Edinburgh.</i>				
The Prince of Wales	Royal Train	30 May	Kemble - Berwick-upon-Tweed	20,838
<i>Regional visits to Greenlaw, Abbotsford House and Knockroon, East Ayrshire.</i>				
The Queen and The Duke of Edinburgh	Charter flight	31 May	ABZ - Hawarden - NHT	17,697
<i>Residence to residence.</i>				
The Queen and The Duke of Edinburgh	Royal Train	2 Jun	London - Penzance	20,657
<i>Visit Isles of Scilly.</i>				
The Queen and The Duke of Edinburgh	Royal Train	6-7 Jun	Windsor & Eton Riverside - Cardiff - Kensington	19,203
The Prince of Wales and The Duchess of Cornwall			Bristol Parkway - Cardiff - Kensington	
<i>Open Welsh Assembly.</i>				
The Queen and The Duke of Edinburgh	Royal Train	21 Jun	Euston - Alnmouth	20,159
	Charter flight	22 Jun	Newcastle - Cambridge - NHT	14,901
<i>Visit Alnwick and Alnwick Castle.</i>				

<b>Household</b>	<b>Method of travel</b>	<b>Date</b>	<b>Itinerary</b>	<b>Cost (£)</b>
The Duke of York	Charter flight	22-23 Jun	NHT - Belfast - Teesside - NHT	10,470
<i>Regional visits to Belfast, Hillsborough Castle, Newcastle Upon Tyne and Redcar.</i>				
The Queen and The Duke of Edinburgh	Charter flight	30 Jun	NHT - EDI	14,257
<i>Holyrood week.</i>				
The Queen and The Duke of Edinburgh	Charter flight	7 Jul	Edinburgh - East Midlands - Marham	17,337
<i>Residence to residence.</i>				
The Duke and Duchess of Cambridge	Scheduled flight	10 Jul	LA - LHR	51,410
<i>Return from FCO visit to USA.</i>				
The Queen	Royal Train	19 Jul	London - Lichfield	15,675
<i>Visit Royal Mercian and Lancastrian Yeomanry.</i>				
The Queen	Charter flight	23 Jul	NHT - ABZ	17,042
<i>Residence to residence.</i>				
The Duke of Edinburgh	Charter flight	29 Jul	Marham - Paderborn - Edinburgh	12,890
<i>As Colonel-in-Chief, The Queen's Royal Hussars, visit the Regiment in Sennelager, Germany.</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	30 Jul	Kemble - Edinburgh - Wick	10,820
<i>Residence to residence.</i>				
The Prince of Wales and The Duchess of Cornwall	BAe 146	17 Aug	ABZ - Northolt, Biggin Hill - ABZ	19,583
<i>Following the August riots visit Tottenham, Hackney, Lambeth and Croydon.</i>				
The Princess Royal	Charter flight	8-9 Sep	NHT - Inverness - Kemble	10,924
<i>Regional visits to Inverness, Dingwall and Humberston.</i>				
The Duke of Kent	Scheduled flight	10-13 Sep	LHR - Bahrain - LHR	10,623
<i>Visit Regiment in Afghanistan.</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Prince of Wales and The Duchess of Cornwall	Charter flight	11 Sep	NHT - ABZ	16,047
<i>Residence to residence following attendance at the Tenth Anniversary 9/11 Memorial Service in London.</i>				
The Earl of Wessex	Scheduled flight	11-19 Sep	LHR - Nairobi - Entebbe - LHR	12,559
<i>Duke of Edinburgh Awards visit to Kenya and FCO visit to Uganda.</i>				
The Princess Royal	Charter flight	14-15 Sep	Newcastle Apt - Holyroodhouse - Carlisle - GP - KP	13,823
<i>Regional visits to Stockton-on-Tees, County Durham; Newcastle upon Tyne, The Palace of Holyroodhouse, Edinburgh, Carlisle and London.</i>				
The Duke of York	Charter flight	18-24 Sep	Farnborough - Dhahran - Jeddah - Riyadh - Farnborough	81,000
<i>UKTI visit to Saudi Arabia.</i>				
Staff (The Prince of Wales and The Duchess of Cornwall)	Scheduled flight	20 Sep	LHR - Kuwait - Dubai - Darasalam - Cape Town - LHR	21,428
<i>Reconnaissance visit in advance of FCO visit to Kuwait, Qatar, Tanzania and South Africa.</i>				
The Duke of York	Scheduled flight	26 Sep – 1 Oct	LHR - Singapore - LHR	18,709
<i>UKTI visit to Singapore.</i>				
The Princess Royal	Charter flight	6-7 Oct	London City - Edinburgh - London City	12,376
<i>Regional visit to Edinburgh.</i>				
The Prince of Wales	S76	8 Oct	Birkhall - Newcastle - Birkhall	11,002
<i>Regional visit to Newcastle upon Tyne.</i>				
The Queen	Charter flight	10 Oct	ABZ - NHT	17,227
<i>Residence to residence.</i>				
The Princess Royal	Charter flight	17 Oct	Kemble - Glasgow - NHT	10,052
<i>Regional visit to Scotland.</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Duke of York	Scheduled flight	22 Oct – 5 Nov	LHR - Shanghai, Bangkok - LHR	19,987
The Duke of York	Charter flight	25 Oct – 1 Nov	Shanghai - Guangzhou, Hong Kong - Kuala Lumpur - Johor - Bangkok	72,250
<i>UKTI visit to China, Thailand and Malaysia.</i>				
The Prince of Wales	Royal Train	23-25 Oct	Ayr - Middlesborough, Redcar - Burnley - Stoke-on-Trent - London	38,016
<i>Regional visits to Middlesbrough, Teesside, Redcar and Burnley.</i>				
The Princess Royal	Scheduled flight	23-28 Oct	LHR - Freetown, Accra - LHR	22,312
	Charter flight	26 Oct	Freetown - Accra	21,100
<i>FCO visit to Sierra Leone and Ghana.</i>				
The Prince of Wales	Charter flight	26 Oct	LHR - Riyadh - LHR	67,215
<i>Represent the United Kingdom at the Condolences, following the death of the Crown Prince Sultan bin Abdulaziz al Saud.</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	31 Oct – 9 Nov	Brize Norton - Kuwait - Doha - Pretoria - Durban - Cape Town - Dar Es Salaam - Zanzibar - Dar Es Salaam - Kilimanjaro - Brize Norton	460,387
<i>FCO visit to Kuwait, Qatar, South Africa and Tanzania.</i>				
The Princess Royal	Charter flight	10-11 Nov	NHT - Belfast - Glasgow - Kemble	10,693
<i>Regional visits to Belfast and Glasgow.</i>				
The Duke of York	Scheduled flight	20-27 Nov	LHR - Qatar - Abu Dhabi - LHR	14,196
<i>UKTI visit to Qatar and Abu Dhabi.</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Prince of Wales	Royal Train	21 Nov	Newport - Abergavenny - Kensington Olympia	18,295
<i>Regional visits to Newport and Abergavenny.</i>				
The Duke of Edinburgh	Charter flight	21 Nov	NHT - Hannover - NHT	10,047
<i>Present Campaign Medals in Fallingbommel, Germany.</i>				
The Duke of York	Scheduled flight	30 Nov- 2 Dec	LHR - Washington - LHR	13,112
<i>Attend the Centenary of US Naval Aviation celebrations.</i>				
The Queen and The Duke of Edinburgh	Royal Train	30 Nov	Euston - Liverpool	17,589
	Charter flight	1 Dec	Liverpool - LHR	16,438
<i>Open the Museum of Liverpool, visit the Liver Building on the occasion of its centenary and visit the New Brighton development.</i>				
The Earl and Countess of Wessex	Scheduled flight	18-21 Dec	LHR - Bahrain - LHR	18,068
<i>Visit troops in Afghanistan and FCO visit to Bahrain.</i>				
Staff (Prince Harry)	Scheduled flight	9-20 Jan	LHR - Brazil - Bahamas - Jamaica - Belize - LHR	18,101
<i>Reconnaissance visit in advance of FCO visit by Prince Harry to Brazil and Diamond Jubilee visit on behalf of The Queen to the Bahamas, Jamaica and Belize.</i>				
The Princess Royal	Charter flight	12-13 Jan	Kemble - East Midlands - Edinburgh - Kemble	10,852
<i>Regional visits to Nottingham and Edinburgh.</i>				
The Prince of Wales and The Duchess of Cornwall	Royal Train	23 Jan	Ayr - Wakefield	21,487
<i>Regional visits to Barnsley, Huddersfield University Campus, Wentworth Castle and Gardens and Stainborough Park.</i>				
The Princess Royal	Charter flight	25-26 Jan	Kemble - Paderborn Lippstadt - Dusseldorf - Kemble	12,774
<i>The Royal Logistic Corps - attend 2 Logistic Support Regiment Medal Parade, Princess Royal Barracks, Gutersloh. Royal Corps of Signals - Visit 7 Signal Regiment, Javelin Barracks, Elmpt Station.</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Princess Royal	Charter flight	4 Feb	Kemble - Edinburgh - Bristol	11,174
<i>Regional visit to Edinburgh.</i>				
The Princess Royal	Charter flight	20-21 Feb	Kemble - Glasgow, Edinburgh - NHT	11,573
<i>Regional visits to Glasgow, Edinburgh and London.</i>				
The Earl and Countess of Wessex	Scheduled flight	21 Feb- 7 Mar	LGW - St Lucia - Antigua - LGW	23,495
<i>Diamond Jubilee visit on behalf of Her Majesty The Queen: engagements in St Lucia, Barbados, St Vincent, Bequia, Granada, Trinidad and Tobago, Montserrat, St Kitts, Anguilla, and Antigua.</i>				
The Prince of Wales	Royal Train	26 Feb	Kemble - Great Yarmouth	19,195
<i>Regional visit to Norfolk.</i>				
The Duke of York	Scheduled flight	27 Feb- 3 Mar	LHR - Bangkok - LHR	29,946
<i>UKTI visit to Thailand.</i>				
The Princess Royal	Charter flight	28 Feb- 1 Mar	Kemble - Edinburgh - ABZ - Lossiemouth - Kemble	14,226
<i>Regional visit to Scotland.</i>				
Prince Harry	Scheduled flight	2 - 13 Mar	LHR - Miami, Rio de Janeiro - LHR	51,443
	Charter flight	2 - 8 Mar	Miami - Belize City - Nassau Int - Kingston - Montego Bay - Miami	55,655
<i>FCO visit by Prince Harry to Brazil and Diamond Jubilee visit on behalf of The Queen to the Bahamas, Jamaica and Belize.</i>				
The Prince of Wales and The Duchess of Cornwall	BAe146	20-27 Mar	Kemble - Oslo - Bergen - Oslo - Stockholm - Copenhagen - Brize Norton	38,333
<i>FCO visit to Norway, Sweden and Denmark.</i>				
The Princess Royal	Charter flight	20-21 Mar	Kemble - Southampton - Glasgow - Edinburgh - NHT	12,193
<i>Regional visits to Fareham, Glasgow, Edinburgh – and London.</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Queen and The Duke of Edinburgh	Royal Train	22 Mar	Euston - Manchester	18,334
<i>Visit Royal Hospital, BBC Media City and Quay House, Salford University, Manchester Town Hall.</i>				
The Duke of Gloucester	Scheduled flight	24 - 29 Mar	LHR - Sydney - LHR	24,481
	Charter flight	26 - 29 Mar	Sydney - Tonga - Sydney	66,900

*Represent the United Kingdom at the Condolences, following the death of the King of Tonga.*

**Summary of other journeys costing less than £10,000 each**

S76	Various	Various	(153 journeys)	549,183
Charter helicopter	Various	Various	(62 journeys)	276,719
Charter flight	Various	Various	(47 journeys)	338,054
BAe 146	Various	Various	(3 journeys)	31,217
HS 125	Various	Various	(1 journey)	9,872
Scheduled flight	Various	Various		167,501
Scheduled rail	Various	Various		45,742
				3,506,485

**Key**

LHR	London Heathrow
LGW	London Gatwick
ABZ	Aberdeen
EDI	Edinburgh
LYN	Lynham
NHT	Northolt
KP	Kensington Palace
WC	Windsor Castle
GP	Gatcombe Park

## APPENDIX 2: OPERATING STATISTICS

### AIR TRAVEL

#### Flying hours

<i>Year to 31 March</i>	<b>2012</b>	2011
	<b>hours</b>	hours
Helicopters	<b>541</b>	526
Fixed wing	<b>341</b>	401
Total flying hours	<b>882</b>	927

### HELICOPTERS - FLYING HOURS

<i>Year to 31 March</i>	<b>2012</b>	2011
	<b>hours</b>	hours
The Queen's Helicopter	<b>397</b>	385
Charter helicopters	<b>144</b>	141
Total flying hours	<b>541</b>	526

The helicopter forms an integral element of Royal Travel and provides a highly efficient and cost-effective travel option. The flexibility offered by the helicopter enables members of the Royal Family to undertake a number of engagements at different locations on the same day.

In September 2010, The Queen's Helicopter, a Sikorsky S76 C+, was replaced by a Sikorsky S76 C++. The new helicopter is used by the Royal Household under the terms of a ten-year operating lease (expiry September 2019) and related maintenance contracts; it can carry six passengers. The variable cost for The Queen's Helicopter, including VAT, was £1,435 per flying hour (2010-11: £1,358). Charter helicopters provided additional capacity during the year when more than one helicopter was required.

### FIXED WING (CIVIL OPERATORS)

#### Flying hours

<i>Year to 31 March</i>	<b>2012</b>	2011
	<b>hours</b>	hours
Small fixed wing aircraft charter	<b>270</b>	351
Large fixed wing aircraft charter	<b>42</b>	45
	<b>312</b>	396

The reduction in small fixed wing aircraft charter hours reflects increased use of scheduled flights and 32 Squadron during 2011-12.

## SCHEDULED FLIGHTS

During the year members of the Royal Family travelled 142,000 miles (2010-11: 141,000) on 30 scheduled flights (2010-11: 21).

## FIXED WING (32 SQUADRON)

### Flying hours

<i>Year to 31 March</i>	<b>2012 hours</b>	2011 hours
BAe 146	27	4
HS 125	<u>2</u>	<u>1</u>
	<b><u>29</u></b>	<b><u>5</u></b>

With effect from 1 April 2011, 32 Squadron has been available for journeys by HM The Queen and HRH The Prince of Wales, where this was the preferred option over a charter aircraft at the following rates: HS125: £4,000 and BAe146: £5,000 per flying hour.

A BAe 146 is a four-engined jet which is configured to carry 19 or 26 passengers; the hourly variable cost was £5,000 in 2011-12 (2010-11: £5,000).

The HS 125 is a twin-engined jet which carries seven passengers; the hourly variable cost was £4,000 (2010-11: £4,000).

Flying hours include both the flight and any pre/post-flight positioning of the aircraft.

## RAIL TRAVEL

### Royal Train

During the year there have been 13 journeys (2010-11: 14), with an average distance of 912 miles per journey (2010-11: 931 miles). During these journeys a total of 13 nights were spent on the Royal Train (2010-11: 19 nights).

The Royal Train comprises nine coaches, including coaches for Household and railway staff, the Police, communications equipment and electricity supply. Five to eight of the coaches are used at any one time. It enables members of the Royal Family to carry out busy schedules over an extended period in a secure environment which minimises disruption and inconvenience to the public and provides accommodation and office facilities. The Train is available for use, on a recharging basis, by Government and for national interest purposes. However, its configuration is for overnight travel and it is not suitable for large scale travel and entertaining.

A review of the future of the Royal Train nine years ago concluded that it should continue to be used as an integral part of Royal Travel but that the Household and Department for Transport should actively monitor costs to ensure it is run and maintained in the most cost effective manner possible. During the fifteen years of the Grant-in-aid, costs have been reduced (a 57% reduction in absolute terms) through a number of initiatives (including rationalisation of the coach fleet and reviews of costs with the railway companies).

#### **Scheduled rail**

During the year members of the Royal Family made 114 journeys by scheduled rail (2010-11: 83), with an average distance of 114 miles per journey (2010-11: 126 miles).

# **Royal Public Finances**

## **Appendices**



## APPENDIX A: PENSION ARRANGEMENTS

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

- (a) a scheme managed by the Government analogous to the 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 and are non-contributory for employees (except in respect of widows'/widowers' benefits for the Government managed scheme). Full-time permanent employees joining from 1 April 2002 are entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme. Information about the schemes is set out below.

### **Royal Household Pension Scheme**

The scheme is managed by the Government and has terms analogous to the Principal Civil Service Pension Scheme. Eligible employees are those 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 (PSA) when the Royal Household's Property Services section was established. Pension contributions are paid directly to the Consolidated Fund and, in turn, pension benefits are paid directly from the Consolidated Fund on a defined benefit basis. The contribution rate during the year was 21.1% of pensionable pay (2010-11: 21.1%), reflecting a valuation by the Government Actuary's Department. The contribution rates reflect the cost of pension benefits as they are earned by employees.

The pension scheme, managed by the Government, is not a funded scheme. As permitted by FRS 17: Retirement Benefits, this scheme will continue to be accounted for as if it were a defined contribution scheme.

### **Royal Households Group Pension Scheme**

All full-time permanent employees who joined before 31 March 2002 and are 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 scheme provides benefits which are based on final pay and is non-contributory for employees.

The contribution rate for the scheme is based on triennial valuations undertaken by a qualified independent actuary using the projected unit method. As the scheme is closed to new entrants, under the projected unit method the current service cost will increase as the members approach retirement. The most recent completed valuation was as at 31 December 2008. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. It was assumed that the real investment return would be 1.6% per annum post-retirement and 3.1% per annum pre-retirement, that real salary increases would average 1.5% per annum and that pensions would increase at the rates specified in the scheme rules.

The most recent actuarial valuation showed that the total market value of the assets of the scheme was £28.9 million and that this value of the assets was sufficient to cover 60% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Following this valuation, the employer's contribution rates were as follows:

- (a) staff employed by the Civil List decreased to 24.2% from 1 January 2009 (previously 25.1%), plus £75,000 each year for fifteen years from 1 April 2010 increasing annually at 2.8% per annum (previously an index-linked annual payment of £59,000);
- (b) staff employed by the Property Services section decreased to 26.3% from 1 January 2009 (previously 27.6%), plus £149,000 each year for fifteen years from 1 April 2010 increasing annually at 2.8% per annum (previously an index-linked annual payment of £126,000 shared with Royal Travel); and
- (c) staff employed by Royal Travel decreased to 26.8% from 1 January 2009 (previously 27.6%), plus £31,000 each year for fifteen years from 1 April 2010 increasing annually at 2.8% per annum (previously an index-linked annual payment of £126,000 shared with Property Services).

The benefit accrual rate was reduced from 1/60 to 1/70 for each year of service from 1 April 2007.

It is assumed that these measures will be sufficient to eliminate the Civil List's share of the past service deficit of £1.2 million and the Property Services section's share of the past service deficit of £3.0 million over fifteen years and meet the current service cost. Royal Travel's share of the past service deficit of £0.6 million was settled in full during 2009–10 and future pension contributions for Royal Travel will amount to 26.8% of salary costs to meet the current service cost.

The valuation used for this disclosure has been based on the most recent actuarial review of the Royal Households Group Pension Scheme as at 31 December 2008 updated by an independent qualified actuary, Hewitt, to take account of the requirements of FRS 17: Retirement Benefits in order to assess the liabilities in respect of the Civil List section of the scheme at 31 December 2011 and of Property Services and Royal Travel sections of the scheme at 31 March 2012.

Scheme assets in respect of the Civil List section of the scheme are stated at their market values at 31 December 2011 and scheme assets in respect of the Property Services and Royal Travel sections of the scheme are stated at their market values at 31 March 2012.

Actuarial assumptions adopted as at 31 December (% pa)	<b>2011</b>	2010	2009	2008	2007
Discount rate	<b>4.8</b>	5.3	5.7	6.0	5.8
Rate of general long-term increase in salaries	<b>3.7</b>	4.0	4.6	4.5	4.9
Rate of price inflation (RPI)	<b>3.2</b>	3.5	3.6	3.0	3.4
Rate of price inflation (CPI)	<b>2.2</b>	2.6	N/A	N/A	N/A
Rate of increase to pensions in payment (pre-1993 service)	<b>5.0</b>	5.0	5.0	5.0	5.0
Rate of increase to pensions in payment (post-1993 service)	<b>3.1</b>	3.3	3.4	3.0	3.4
Expected rate of return on assets	<b>5.7</b>	6.6	7.3	7.5	7.5

Actuarial assumptions adopted as at 31 March (% pa)	<b>2012</b>	2011	2010	2009	2008
Discount rate	<b>4.8</b>	5.6	5.6	6.5	6.9
Rate of general long-term increase in salaries	<b>3.8</b>	4.1	4.3	5.1	5.2
Rate of price inflation (RPI)	<b>3.3</b>	3.6	3.8	3.6	3.7
Rate of price inflation (CPI)	<b>2.3</b>	2.6	N/A	N/A	N/A
Rate of increase to pensions in payment (pre-1993 service)	<b>5.0</b>	5.0	5.0	5.0	5.0
Rate of increase to pensions in payment (post-1993 service)	<b>3.2</b>	3.4	3.6	3.4	3.6
Expected rate of return on assets	<b>6.1</b>	6.7	7.3	6.8	7.0

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are:

A member who retires at age 65 will live on average for a further number of years:

	<b>2011-12</b>		2010-11	
	<b>Male</b>	<b>Female</b>	Male	Female
Civil List	24.5	26.4	24.4	26.3
Property Services and Royal Travel	24.7	26.6	24.4	26.3

The Royal Household employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme.

## 1. CIVIL LIST

Fair value of asset by class	Value as at 31 December				
	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Equities	2.0	2.3	2.4	1.8	1.9
Government Bonds	1.6	1.1	0.6	0.5	0.5
Property	0.4	0.3	–	–	–
Cash / net current assets	0.1	–	–	–	–
	<b>4.1</b>	<b>3.7</b>	<b>3.0</b>	<b>2.3</b>	<b>2.4</b>

Reconciliation of funded status to balance sheet	Value as at 31 December				
	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Fair value of scheme assets	4.1	3.7	3.0	2.3	2.4
Present value of funded defined benefit obligations	(5.2)	(4.6)	(4.2)	(3.3)	(3.4)
Net pension liability recognised on the balance sheet	<b>(1.1)</b>	<b>(0.9)</b>	<b>(1.2)</b>	<b>(1.0)</b>	<b>(1.0)</b>

There is therefore a net pension liability of £1.1 million as at 31 December 2011 (2010: £0.9 million). The amount of this net pension liability has a consequential effect on reserves.

### Analysis of amounts charged against income and expenditure

Year to 31 December	2011	2010
	£m	£m
Current service cost	0.3	0.3
Past service cost	(0.1)	–
Expected return on scheme assets	(0.2)	(0.2)
Interest on pension scheme liabilities	0.2	0.2
Expense recognised in income and expenditure account	<b>0.2</b>	<b>0.3</b>

Changes to the present value of the defined benefit obligations during the year are as follows:

	2011	2010
	£m	£m
Defined benefit obligations as at 1 January	4.6	4.2
Movement in year:		
Current service cost	0.3	0.3
Past service cost	(0.1)	–
Interest cost	0.2	0.2
Net benefits paid out	–	(0.1)
Actuarial losses on scheme liabilities	0.2	–
Defined benefit obligations as at 31 December	<u>5.2</u>	<u>4.6</u>

Changes to the fair value of scheme assets during the year are as follows:

	2011	2010
	£m	£m
Fair value of scheme assets as at 1 January	3.7	3.0
Movement in year:		
Expected return on scheme assets	0.2	0.2
Contributions by the employer	0.3	0.4
Net benefits paid out	–	(0.1)
Actuarial (losses) / gains on scheme assets	(0.1)	0.2
Fair value of scheme assets as at 31 December	<u>4.1</u>	<u>3.7</u>

An analysis of the movement in the deficit of the scheme over the year is as follows:

	2011	2010
	£m	£m
Deficit as at 1 January	(0.9)	(1.2)
Movement in year:		
Current service cost	(0.3)	(0.3)
Past service cost	0.1	–
Contributions	0.3	0.4
Actuarial (losses) / gains	(0.3)	0.2
Deficit as at 31 December	<u>(1.1)</u>	<u>(0.9)</u>

The actual return on scheme assets comprises:

	<b>2011</b>	2010
	<b>£m</b>	£m
Expected return on scheme assets	<b>0.2</b>	0.2
Actuarial (losses) / gains on scheme assets	<b>(0.1)</b>	0.2
Actual return on scheme assets	<b>0.1</b>	0.4

The amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL) were as follows:

	<b>2011</b>	2010
	<b>£m</b>	£m
Total actuarial (losses) / gains	<b>(0.3)</b>	<b>0.2</b>
Total (losses) / gains in STRGL	<b>(0.3)</b>	<b>0.2</b>
Cumulative amount of gains recognised in STRGL	–	<b>0.3</b>

The history of assets values, defined benefit obligations and the deficit in the scheme is as follows:

	<b>2011</b>	2010	2009	2008	2007
	<b>£m</b>	£m	£m	£m	£m
Fair value of scheme assets	<b>4.1</b>	3.7	3.0	2.3	2.4
Defined benefit obligations	<b>(5.2)</b>	(4.6)	(4.2)	(3.3)	(3.4)
Deficit in scheme	<b>(1.1)</b>	(0.9)	(1.2)	(1.0)	(1.0)

The history of experience gains and losses is as follows:

	<b>2011</b>	2010	2009	2008	2007
	<b>£m</b>	£m	£m	£m	£m
Experience (losses) / gains on scheme assets	<b>(0.1)</b>	0.2	0.2	(0.7)	–
Experience gains/ (losses) on scheme liabilities	<b>0.1</b>	0.1	(0.3)	–	(0.1)

Estimate of income and expenditure charge for the coming year:

Using the assumptions for return on the assets set out above, the charge to the income and expenditure account for the next year is explained as follows:

Year to 31 December	2012
	£m
Current service cost	0.3
Expected return on scheme assets	(0.2)
Interest on pension scheme liabilities	0.2
Total estimated pension expense	<u>0.3</u>

## 2. PROPERTY SERVICES

Fair value by asset class	Value as at 31 March				
	<b>2012</b>	2011	2010	2009	2008
	<b>£m</b>	£m	£m	£m	£m
Equities	4.5	4.4	5.6	3.9	4.3
Government Bonds	3.1	2.6	1.2	0.9	1.1
Property	0.8	0.6	0.1	0.1	0.1
Cash / net current assets	0.2	0.2	0.2	–	0.1
	<u>8.6</u>	<u>7.8</u>	<u>7.1</u>	<u>4.9</u>	<u>5.6</u>

Reconciliation of funded status to balance sheet	Value as at 31 March				
	<b>2012</b>	2011	2010	2009	2008
	<b>£m</b>	£m	£m	£m	£m
Fair value of scheme assets	8.6	7.8	7.1	4.9	5.6
Present value of funded defined benefit obligations	<u>(10.3)</u>	<u>(8.9)</u>	<u>(8.9)</u>	<u>(7.3)</u>	<u>(6.3)</u>
Net pension liability recognised on the balance sheet	<u>(1.7)</u>	<u>(1.1)</u>	<u>(1.8)</u>	<u>(2.4)</u>	<u>(0.7)</u>

There is a net pension liability of £1.7 million as at 31 March 2012 (£1.1 million as at 31 March 2011). The amount of this net pension liability has a consequential effect on reserves.

Analysis of amounts charged against income and expenditure

Year to 31 March	<b>2011-12</b>	2010-11
	<b>£m</b>	£m
Current service cost	0.3	0.3
Past service cost	(0.1)	–
Expected return on scheme assets	(0.5)	(0.5)
Interest on pension scheme liabilities	0.5	0.5
Amounts charged against expenditure	<u>0.2</u>	<u>0.3</u>

Changes to the present value of the defined benefit obligations during the year are as follows:

	<b>2011-12</b>	2010-11
	<b>£m</b>	£m
Defined benefit obligations as at 1 April	<b>8.9</b>	8.9
Movement in year:		
Current service cost	<b>0.3</b>	0.3
Past service cost	<b>(0.1)</b>	
Interest cost	<b>0.5</b>	0.5
Actuarial losses / (gains) on scheme liabilities	<b>1.0</b>	(0.6)
Net benefits paid out	<b>(0.3)</b>	(0.2)
Defined benefit obligations as at 31 March	<b><u>10.3</u></b>	<u>8.9</u>

Changes to the fair value of scheme assets during the year are as follows:

	<b>2011-12</b>	2010-11
	<b>£m</b>	£m
Fair value of scheme assets as at 1 April	<b>7.8</b>	7.1
Movement in year:		
Expected return on scheme assets	<b>0.5</b>	0.5
Contributions by the employer	<b>0.5</b>	0.5
Actuarial gains / (losses) on scheme assets	<b>0.1</b>	(0.1)
Net benefits paid out	<b>(0.3)</b>	(0.2)
Fair value of scheme assets as at 31 March	<b><u>8.6</u></b>	<u>7.8</u>

An analysis of the movement in the deficit of the scheme over the year is as follows:

	<b>2011-12</b>	2010-11
	<b>£m</b>	£m
Deficit as at 1 April	<b>(1.1)</b>	(1.8)
Movement in year:		
Current service cost	<b>(0.3)</b>	(0.3)
Past service cost	<b>0.1</b>	–
Contributions	<b>0.5</b>	0.5
Actuarial (losses) / gains	<b>(0.9)</b>	0.5
Deficit as at 31 March	<b><u>(1.7)</u></b>	<u>(1.1)</u>

The actual return on scheme assets comprises:

Year to 31 March	<b>2012</b>	2011
	<b>£m</b>	£m
Expected return on scheme assets	<b>0.5</b>	0.5
Actuarial gains / (losses) on scheme assets	<b>0.1</b>	(0.1)
Actual return on scheme assets	<b><u>0.6</u></b>	<u>0.4</u>

The amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL) were as follows:

Year to 31 March	<b>2012</b>	2011
	<b>£m</b>	£m
Total actuarial (losses) / gains	<b>(0.9)</b>	0.5
Total (losses) / gains	<b>(0.9)</b>	0.5
Cumulative amount of (losses) /gains recognised in STRGL	<b>(0.3)</b>	0.6

The history of assets values, defined benefit obligations and the deficit in the scheme is as follows:

	<b>2012</b>	2011	2010	2009	2008
	<b>£m</b>	£m	£m	£m	£m
Fair value of scheme assets	<b>8.6</b>	7.8	7.1	4.9	5.6
Defined benefit obligations	<b>(10.3)</b>	(8.9)	(8.9)	(7.3)	(6.3)
Deficit in scheme	<b><u>(1.7)</u></b>	<u>(1.1)</u>	<u>(1.8)</u>	<u>(2.4)</u>	<u>(0.7)</u>

The history of experience gains and losses is as follows:

	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Experience gains / (losses) on scheme assets	0.1	(0.1)	1.5	(1.5)	(0.7)
Experience gains / (losses) on scheme liabilities	0.1	0.3	(0.4)	(0.1)	–

Estimate of income and expenditure charge for the coming year:

Using the assumptions for return on the assets set out above, the charge to the Income and Expenditure Account for the next year is explained as follows:

Year to 31 March	2013
	£m
Current service cost	0.3
Expected return on scheme assets	(0.5)
Interest on pension scheme liabilities	0.5
Total estimated pension expense	<u>0.3</u>

### 3. ROYAL TRAVEL

Fair value of assets by class	Value as at 31 March				
	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Equities	1.4	1.4	1.8	1.0	1.0
Government Bonds	0.9	0.8	0.4	0.2	0.3
Property	0.2	0.2	–	–	–
Cash / net current assets	0.1	0.1	0.1	–	–
	<u>2.6</u>	<u>2.5</u>	<u>2.3</u>	<u>1.2</u>	<u>1.3</u>

Reconciliation of funded status to balance sheet	Value as at 31 March				
	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Fair value of scheme assets	2.6	2.5	2.3	1.2	1.3
Present value of funded defined benefit obligations	(2.5)	(2.2)	(2.1)	(1.7)	(1.4)
Net pension asset / (liability) recognised on the balance sheet	<u>0.1</u>	<u>0.3</u>	<u>0.2</u>	<u>(0.5)</u>	<u>(0.1)</u>

There is a net pension asset of £0.1 million as at 31 March 2012 (£0.3 million as at 31 March 2011).

Analysis of amounts charged against income and expenditure

Year to 31 March	2011-12	2010-11
	£m	£m
Current service cost	0.1	0.1
Expected return on scheme assets	(0.1)	(0.1)
Interest on pension scheme liabilities	0.1	0.1
Expense recognised in income and expenditure account	<u>0.1</u>	<u>0.1</u>

Changes to the present value of the defined benefit obligations during the year are as follows:

	2011-12	2010-11
	£m	£m
Defined benefit obligations as at 1 April	2.2	2.1
Movement in year:		
Current service cost	0.1	0.1
Interest cost	0.1	0.1
Net benefits paid out	(0.1)	–
Actuarial losses / (gains) on scheme liabilities	0.2	(0.1)
Defined benefit obligations as at 31 March	<u>2.5</u>	<u>2.2</u>

Changes to the fair value of scheme assets during the year are as follows:

	2011-12	2010-11
	£m	£m
Fair value of scheme assets as at 1 April	2.5	2.3
Movement in year:		
Expected return on scheme assets	0.1	0.1
Contributions by the employer	0.1	0.1
Net benefits paid out	(0.1)	–
Fair value of scheme assets as at 31 March	<u>2.6</u>	<u>2.5</u>

An analysis of the movement in the surplus of the scheme over the year is as follows:

	<b>2011-12</b>	2010-11
	<b>£m</b>	£m
Surplus as at 1 April	<b>0.3</b>	0.2
Movement in year:		
Current service cost	<b>(0.1)</b>	(0.1)
Contributions	<b>0.1</b>	0.1
Actuarial (losses) / gains	<b>(0.2)</b>	0.1
Surplus as at 31 March	<b>0.1</b>	0.3

The actual return on scheme assets comprises:

	<b>2012</b>	2011
	<b>£m</b>	£m
Expected return on scheme assets	<b>0.1</b>	0.1
Actual return on scheme assets	<b>0.1</b>	0.1

The amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL) were as follows:

Year to 31 March	<b>2012</b>	2011
	<b>£m</b>	£m
Total actuarial (losses) / gains	<b>(0.2)</b>	0.1
Total (losses) / gains in STRGL	<b>(0.2)</b>	0.1
Cumulative amount of (losses) / gains recognised in STRGL	<b>(0.1)</b>	0.1

The history of assets values, defined benefit obligations and the surplus / (deficit) in the scheme is as follows:

	<b>2012</b>	2011	2010	2009	2008
	<b>£m</b>	£m	£m	£m	£m
Fair value of scheme assets	<b>2.6</b>	2.5	2.3	1.2	1.3
Defined benefit obligations	<b>(2.5)</b>	(2.2)	(2.1)	(1.7)	(1.4)
Surplus / (deficit) in scheme	<b>0.1</b>	0.3	0.2	(0.5)	(0.1)

The history of experience gains and losses is as follows:

	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Experience gains/(losses) on scheme assets	–	–	0.4	(0.4)	(0.2)
Experience (losses)/ gains on scheme liabilities	–	–	(0.1)	–	–

Estimate of income and expenditure charge for the coming year:

Using the assumptions for return on the assets set out above, the charge to the Income and Expenditure Account for the next year is explained as follows:

Year to 31 March	2013
	£m
Current service cost	0.1
Expected return on scheme assets	(0.1)
Interest on pension scheme liabilities	0.1
Total estimated pension expense	<u>0.1</u>

### **Royal Household Defined Contribution (Stakeholder) Pension Scheme**

Full-time permanent employees joining from 1 April 2002 are entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme (“the Stakeholder Scheme”), which is administered by Legal & General. The Stakeholder 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 the Inland Revenue limits.

## APPENDIX B: ROYAL HOUSEHOLD COMBINED ACCOUNTS DIRECTION

This Accounts Direction is given by HM Treasury in accordance with Section 9 of the Civil List Audit Act 1816; by the Secretary of State for Culture, Media and Sport in accordance with Memorandum of Understanding between the Lord Chamberlain and the Permanent Secretary of the Department for Culture, Media and Sport dated 28 September 2006; and by the Secretary of State for Transport in accordance with Memorandum of Understanding between the Lord Chamberlain and The Permanent Secretary of the Department for Transport dated 25 March 1997.

1. The Royal Household shall prepare accounts for The Queen's Civil List for the year ending 31 December 2008 and for each of the Grants-in-aid for the Maintenance of the Occupied Royal Palaces, Royal Communications and Information, Marlborough House, and Royal Travel by Air and Rail (the Grants-in-aid) for the year ending 31 March 2010 and for subsequent years comprising:
  - (a) an Annual Report;
  - (b) an Income and Expenditure Account;
  - (c) a Balance Sheet;
  - (d) a Cash Flow Statement; and
  - (e) a Statement of Total Recognised Gains and Losses,  
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:
  - (a) Generally Accepted Accounting Practice in the United Kingdom (UK GAAP);
  - (b) the requirements of the Government Financial Reporting Manual (FRoM)insofar as these are appropriate to The Queen's Civil List and the Grants-in-aid 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 FRoM, the Companies Act 2006 (and where applicable Companies Act 1985), accounting standards 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

For The Secretary of State, Department of Culture, Media and Sport

For the Secretary of State, Department for Transport

23 February 2010

# 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 Queen’s Civil List or Grants-in-aid 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 Queen’s Civil List and Grants-in-aid accounts 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 Queen’s Civil List and the Grants-in-aid).
4. When preparing the Income and Expenditure Accounts for The Queen’s Civil List and the Grants-in-aid 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.<sup>1</sup>
5. When preparing the Balance Sheets for The Queen’s Civil List and the Grants-in-aid 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 Queen’s Civil List or the Grant-in-aid for the Maintenance of the Occupied Royal Palaces, although expenses relating to their use and maintenance shall be included.
7. The Queen’s Civil List and the Grants-in-aid 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 Queen’s Civil List (and any draw down from the Civil List Reserve), and Grants-in-aid from the Departments are not required to be taken to General Fund but may be recognised in the Income and Expenditure account in the year in which received;

<sup>1</sup> 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.

- (b) Paragraph 5.2.6 of the FReM need not apply. That is to say that the provisions of FRS 15 relating to measurement of tangible fixed assets at cost and valuations by class of asset may be applied in order to give a true and fair view;
- (c) Notional cost of capital charges need not be applied; and
- (d) In the event of inconsistency between UK GAAP and the FReM, UK GAAP shall be applied, unless directed by the Treasury.

### **Other disclosure requirements**

9. The Annual Report and accounts shall, inter alia:
- (a) State that the accounts of The Queen's Civil List and the Grants-in-aid 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 each of The Queen's Civil List and the Grants-in-aid;
  - (c) Include a Statement on Internal Control. It will be sufficient for the Royal Household to prepare one such statement provided that the systems of internal controls for each of The Queen's Civil List and the Grants-in-aid are separately described therein and refer to compliance with the Civil List Audit Act 1816 or the provisions of the Royal Household's Memoranda of Understanding and Financial Memoranda with the Departments as appropriate.
  - (d) Include a Remuneration Report for those members of the Royal Household whose remuneration is funded from The Queen's Civil List and the Grants-in-aid.
  - (e) Include an appendix giving details of The Queen's Civil List expenses (excluding salaries) consistent with the categories in paragraph 3.3.2 of the Report of the Royal Trustees dated 4 July 2000.