



ROYAL PUBLIC FINANCES

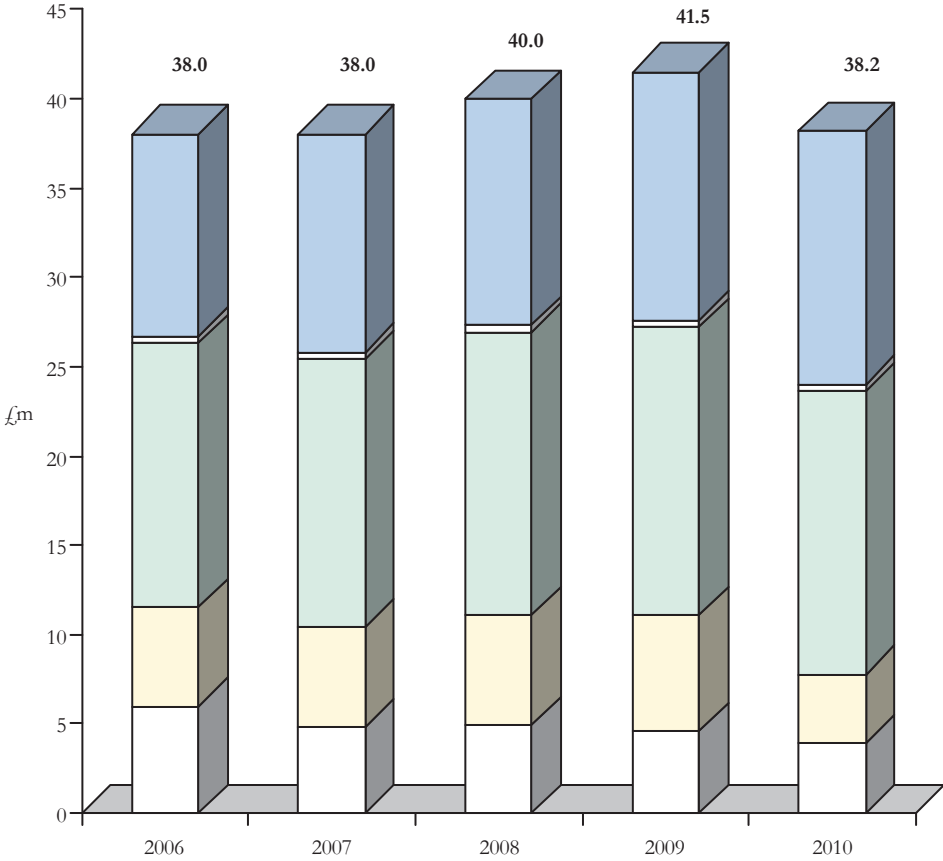
Annual Reports 2009-10

The Queen visits Aldgate tube station in February 2010.

Photograph provided courtesy of the Evening Standard

HEAD OF STATE EXPENDITURE MET FROM PUBLIC FUNDS

Five Years to March 2010



KEY¹

- The Queen's Civil List
- Parliamentary Annuities
- Grant-in-aid for Property Services and Communications and Information
- Grant-in-aid for Royal Travel by Air and Rail
- Government Departments and the Crown Estate

¹ The above colours correspond to those applied to the separate sections of this document.

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HEAD OF STATE EXPENDITURE MET FROM PUBLIC FUNDS

<i>Year to 31st March</i>	2010	2009
	£m	£m
The Queen's Civil List ¹	14.2	13.9
Parliamentary Annuities	0.4	0.4
Grants-in-aid	19.7	22.6
Expenditure met directly by Government Departments and the Crown Estate	3.9	4.6
	38.2	41.5

Head of State expenditure is met from public funds in exchange for the surrender by The Queen of the revenue from the Crown Estate. Head of State expenditure for 2009-10 has decreased by 12.2% in real terms compared to the previous year. The decrease in real terms is mainly due to a reduction in commercial charter flights and a refund of lease rentals, amounting to £1.5 million, arising on the sale of The Queen's helicopter which was replaced in September 2009. Since 2001 Head of State expenditure has reduced by 17.0% in real terms.

Expenditure on The Queen's Civil List and Grants-in-aid include £1.9 million of VAT (2008-09: £2.1 million, net of a recovery of £0.5 million VAT in respect of prior years).

Head of State expenditure excludes the costs of security provided by the Police and Army and of Armed Services ceremonial.

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. The other figures are not audited.

A chart showing the Head of State expenditure for the past five years is set out on page 1.

¹ Figures are for calendar years 2009 and 2008

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 (e.g. The Prince's Trust and The Duke of Edinburgh's Award Scheme).

THE QUEEN'S CIVIL LIST

The ninth published annual accounts for the Civil List, which are for the year to 31st December 2009, 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.

The detailed annual report showing how the Civil List has been spent during 2009 is shown in pages 43 to 61 of this report.

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

PARLIAMENTARY ANNUITIES

A Parliamentary Annuity was paid to The Duke of Edinburgh. The annuity was primarily to meet official expenses incurred in carrying out his public duties.

GRANTS-IN-AID

<i>Year to 31st March</i>	2010	2009
	£m	£m
Property Services	15.4	15.5
Communications and Information	0.4	0.6
Royal Travel	3.9	6.5
	19.7	22.6

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, there are The Queen's Gallery at Buckingham Palace, some 211 properties allocated for residential use mainly by staff and pensioners and 29 properties 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 surplus from the Crown Estate which amounted to £230 million in the year to 31st March 2009 (2007-08: £211 million)). The Department for Culture, Media and Sport has overall responsibility for the maintenance of and provision of services to the Occupied Royal Palaces; however, with effect from 1st April 1991, management and operating responsibility was transferred to the Royal Household. A new department of the Royal Household, called the Property Section, was established in 1991 to take on this work.

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 71,000 guests (2008-09: 90,000) to the Palaces and there were approximately 1.77 million (2008-09: 1.72 million) paying visitors. There were 7 garden parties in 2009-10 (2008-09: 8). 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 10 and the Royal Collection 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. Up to 31st March 1997 the official royal travel costs were met by the Ministry of Defence, the Department of Transport and the Foreign and Commonwealth Office (FCO).

Responsibility for the expenditure was transferred to the Household with effect from 1st April 1997 in order to:

- facilitate cost reductions and enhance value for money by matching financial and user responsibility; and
- improve accountability and transparency, and enable a detailed annual report to be published, by giving one organisation responsibility for royal travel expenditure.

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.

Detailed accounts showing how the Grants-in-aid have been spent during 2009-10 are shown on pages 63 and 97 of this report.

EXPENDITURE MET DIRECTLY BY GOVERNMENT DEPARTMENTS AND THE CROWN ESTATE

<i>Year to 31st March¹</i>	2010	2009
	£m	£m
Administration of honours	0.6	0.6
Equerries, orderlies and other support	1.0	1.4
Maintenance of the Palace of Holyroodhouse	1.1	1.2
State Visits to and by The Queen and liaison with the Diplomatic Corps	0.2	0.4
Ceremonial occasions	0.3	0.2
Maintenance of the Home Park at Windsor Castle	0.6	0.6
Other	0.1	0.2
	<u>3.9</u>	<u>4.6</u>

Equerries and orderlies are seconded from the Armed Services to assist The Queen and other members of the Royal Family in undertaking their official duties. The Palace of Holyroodhouse is The Queen's official residence in Scotland.

COSTS 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. Accounts for the Duchy of Cornwall are published and laid before Parliament annually.

¹ Figures are not audited

The Royal Collection

The Royal Collection receives no funding from the Government or the National Lottery. It 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. Around five million people saw items from the Royal Collection in royal palaces during 2009-10 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.

Marlborough House

This is the annual funding introduced in 1999-2000 to meet the cost of property maintenance at Marlborough House, which is occupied by the Commonwealth Secretariat and the Commonwealth Foundation. The maintenance was previously funded by the Department for Transport, Local Government and the Regions and transferred to the Department for Culture, Media and Sport so that it could be incorporated into the Royal Household's existing Grant-in-aid. As for the maintenance of the Occupied Royal Palaces in England, the objectives are to facilitate value for money and improve accountability and transparency by publishing a detailed annual report.

The Royal Household is only responsible for major building work and the Custody Guards. Costs in respect of minor and grounds maintenance, specialist term contracts, utilities and other sundry matters are recovered from the Commonwealth Secretariat. The Royal Household maintains Marlborough House in effect as a contractor for the Department for Culture, Media and Sport and therefore the costs of property maintenance are not included in Head of State Expenditure.

Further information is available on 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 Royal Collection
- Continue to develop a diverse team of well led, trained and adaptable professionals
- Ensure efficient use of 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. Christopher Geidt
- Keeper of the Privy Purse - Sir Alan Reid
- Master of the Household - Air Vice-Marshal David Walker
- Comptroller, Lord Chamberlain's Office - Lt Col. Andrew Ford
- Director of the Royal Collection - Sir Hugh Roberts (to 30 April 2010)
- Jonathan Marsden (from 1 May 2010)

Non-executive members:

- Private Secretary to The Duke of Edinburgh - Brigadier Sir Miles Hunt-Davis
- Principal Private Secretary to The Prince of Wales and The Duchess of Cornwall - Sir Michael Peat

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

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 Royal Travel Office, headed 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. Christopher Geidt and Sir Alan Reid. The Royal Household Remuneration Committee has the following members:

- The Cabinet Secretary - Sir Gus O'Donnell
- 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 Lt Col. Andrew Ford is set with reference to Senior Civil Service pay scales. His salary is reviewed annually and for the 2009-10 financial year he received a cost of living increase plus a performance related pay element up to a maximum of 4.5%.

Air Vice-Marshal David Walker is seconded from the Ministry of Defence on a contract that is reviewed periodically. The next review date will be in 2012. The salary shown below is his secondment cost (excluding VAT) charged to the Civil List.

All other members of the Lord Chamberlain's Committee are appointed on permanent contracts.

All members of the Lord Chamberlain's Committee 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 the Civil List (before the deduction of abatements and other charges in respect of housing), are shown below.

<i>Year to 31st March</i>	Salary		Pension Payments	
	2009-10	2008-09	2009-10	2008-09
	£'000	£'000	£'000	£'000
The Rt Hon. The Earl Peel	82	81	12	12
The Rt Hon. Christopher Geidt	146	155	22	22
Sir Alan Reid	180	194	34	31
Air Vice-Marshal David Walker	120	112	44	39
Lt Col. Andrew Ford	101	96	15	14

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.

Sir Hugh Roberts is not included in the above table because he is paid from other funding sources.

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 2010

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.

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; strengthening a culture of excellence; recruitment, retention and development of professional staff; improvements to customer care, efficiency and adaptability; 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;
- 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 and Ten Year Plan 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) 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, The Duke of York and No. 10, the Chief Executive of UKTI and the Director of Protocol, Foreign and Commonwealth Office.

Marlborough House

The Royal Household's objectives in managing the maintenance of Marlborough House are set out in the Memorandum of Understanding dated 28th September 2006 between the Lord Chamberlain and the Permanent Secretary of the Department for Culture, Media and Sport. They are:

- (a) to maintain the building to a standard consistent with the Commonwealth Secretariat's operational requirements and with the architectural and historic status of the building 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
- (c) to seek to contract in the most economical and efficient manner for the supply of all services.

AUDIT COMMITTEE

The Audit Committee, which reports to the Lord Chamberlain's Committee, has overall responsibility for monitoring the effectiveness of the system of internal control, including financial, operational and compliance controls and risk management. It currently comprises four members: Nigel Turnbull (non-executive Chairman), Air Vice-Marshal David Walker (Master of the Household), Miss Leslie Ferrar (Treasurer to The Prince of Wales and Duchess of Cornwall) and Sir David Tweedie (Chairman of the International Accounting Standards Board) who was appointed on 14 December 2009. 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.

Matters dealt with by the Committee include: approving terms of engagement for the external auditors; reviewing and approving audit plans, annual reports and management reports from internal and external auditors; reviewing the Royal Household risk register; reviewing the implementation of audit recommendations; and reviewing the statement of internal control. The Audit Committee also examines issues that may impact on risks within the Royal Household.

EMPLOYMENT POLICIES

The Royal Household's employment policies and practices have been developed to encourage a motivated, adaptable and skilled workforce.

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.

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 Committee 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 61, Property Services on page 66 and Royal Travel on page 111.

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 and at present the fire alarm panels, which are now obsolete, are being replaced to meet current standards.

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 CDM Coordinator on projects that fall within the requirements of the Construction (Design and Management) Regulations 2007. Generally, however, projects are contracted to competent consultants.

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 this programme of tours, garden parties, receptions and official entertaining.

THE CIVIL LIST

The Queen individually undertook 284 engagements and was accompanied by The Duke of Edinburgh on a further 75 giving a total for the year of 359 engagements. Highlights of Her Majesty's schedule included:

- An inward State Visit by the President of the United Mexican States, Felipe Calderón, and Señora Zavala. A state banquet was held in honour of the President at Buckingham Palace. The State Visit coincided with the G20 Summit in London and Her Majesty hosted a Reception at Buckingham Palace for the Heads of Delegations attending the summit.
- An inward State Visit by President Pratibha Devisingh Patil of the Republic of India and Dr Devisingh Ramsingh Shekhawat. A State Banquet was held in honour of the President at Windsor Castle. The visit also included the official launch of the Commonwealth Games Queen's Baton Relay from Buckingham Palace in advance of the 2010 Commonwealth Games in Delhi.
- In December, The Queen and The Duke of Edinburgh visited Bermuda at the invitation of Premier Dr Ewart Brown, JP, MP. They then proceeded to Trinidad and Tobago for the Commonwealth Heads of Government Meeting which included a number of receptions along with the customary dinner for Commonwealth Leaders.
- In February Her Majesty hosted a Reception for the 2008 Great Britain Paralympics team.
- In July The Queen visited Scotland and addressed the Scottish Parliament. A reception was held at the Palace of Holyroodhouse for Members of the Scottish Parliament.
- In July Her Majesty hosted a Garden Party at Buckingham Palace to celebrate the centenary of British naval aviation.
- The Queen visited the Olympic Park construction site in East London in November.
- Other parts of the UK that The Queen visited included: Hampshire, Lancashire, Dorset, Inverness, Berwickshire and Tyne and Wear.
- There were 27 (2008: 32) Investitures at Buckingham Palace, the Palace of Holyroodhouse and Windsor Castle during which around 2,600 (2008: 2,600) people received honours. A Diplomatic Reception was held in November 2009 at Buckingham Palace; approximately 1,000 diplomats and British guests attended.
- The Queen also entertained around 36,500 people (2008: 50,000) at seven (2008: eight) Garden Parties held at Buckingham Palace and the Palace of Holyroodhouse.

FINANCE

Key developments during the year have included the introduction of new automated purchase order processing systems for Civil List funded departments, the introduction of a Finance for non-financial managers training course and the development of procurement guidance that will be introduced during 2010.

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 Royal Trustees Report for the period 2001-10 which will be published on 22 June 2010, will set out Civil List expenditure since the last report on 3 July 2000 and make recommendations for the amount of the Civil List and expenditure to be met from it for the year to 31 December 2011 after taking into account the anticipated balance on the Civil List Reserve at 31 December 2010.

INFORMATION SYSTEMS

In 2009 Information Systems Management (ISM) implemented a system to enable the real time back-up of all data to the Household's Business Continuity site.

INFORMATION SECURITY AND MANAGEMENT

The Household is now working within a new Security Operating Framework established in late 2009 by the Director of Security Liaison. An Information Security Working Group meets quarterly and reports biannually, together with the Personnel and Physical Security working groups, to a Royal Household Security Risk Management Board which is chaired by the Assistant Private Secretary to The Queen. The Security Risk Management Board reports biannually to the Lord Chamberlain's Committee. During the year new procedures have been introduced to meet the mandatory requirements of the Government's Data Handling Review and a new document management system has been successfully implemented to support the control of printed information assets.

PERSONNEL

The initiative for the Royal Household to assess its performance against the Investors in People standard was facilitated by Learning and Development plans and programmes in 2009, including the development of a new in-house management development programme supporting the Household competency framework and accredited by the Chartered Institute of Management.

To further improve internal communications, a project was launched to refresh the "look and feel" of the staff intranet and to ensure that it reflects the style of the Monarchy web site. "Self service" whereby staff can access and update their records and managers use the Personnel database was implemented throughout the Departments and a new rostering system investigated.

The newly implemented e-recruitment system led to an improvement in efficiency, with reduced costs and less time spent on filling vacancies and processing the 4,000 or so job applications made during 2009 by those seeking to work for the Royal Household.

PROPERTY SERVICES

The Property Services Grant-in-aid has remained at £15 million since 1999-00, a reduction of 32% in real terms. Following the Chancellor of the Exchequer's announcement of spending cuts on 24 May 2010, the Department for Culture, Media and Sport has confirmed that funding for Property Services will reduce by £0.5 million to £14.5 million in 2010-11 and that there will be a Comprehensive Spending Review in the Autumn to determine Grant-in-aid funding from 2011-12. While Property Services was successful in early years in eliminating the building backlog inherited in 1991, this is inevitably building up again as a result of the real terms reduction in funding.

During 2007-08 the Director of the Property Section undertook a review of the systems for prioritising maintenance across the Estate and developed a clearer understanding of the backlog of works. At March 2009 it was estimated that if the Grant-in-aid remains unchanged at £15 million over the next ten years the backlog of essential works such as the renewal of services and replacement of roofs, would be £40 million in today's money. Work is currently underway on the recording of condition assessments across the Estate in response to comments made by the Public Accounts Committee and is scheduled to be complete by the end of 2011. Accordingly, the estimation of the backlog will not be updated until this exercise is complete. Key projects in the backlog of essential works for which there are unlikely to be funds available in the next ten years include:

- renewal of lead and slate roofs at Buckingham Palace and Windsor Castle;
- refurbishment of State Rooms at Buckingham Palace and Windsor Castle which were not included in the previous year's calculation of backlog;
- replacement of existing heating and electrical services at Buckingham Palace, with associated asbestos removal;
- replacement of cast iron and lead Victorian water mains at Windsor;
- much needed conservation work at the Victoria and Albert Mausoleum, which will therefore remain on English Heritage's Buildings at Risk register.

The remaining backlog relates to projects which would give operational or environmental improvements across the Estate.

The Royal Household continues to pursue opportunities to reduce costs and generate income from the Estate's assets. In 2009-10 income from facilities management charges and commercial lettings increased by 12.5% from £3.2 million to £3.6 million. However, these initiatives alone are unlikely to be successful in averting the growth in backlog in future years and further Grant-in-aid funding will be required in due course.

MAJOR PROJECTS IN THE YEAR

In 2009-10 a total of 146 revenue funded projects over £3,500 in value were carried out across the estate. Two of these projects had a construction works spend in excess of £250,000 in the year and individually accounted for more than 5% of the total project spend across the whole estate.

Repair of the Quadrangle Façade at Buckingham Palace (£2.3 million works, £0.1 million fees to date)

The main part of Buckingham Palace was built in a 'C' shaped plan to the designs of John Nash in 1825, but the wing at the front of the Palace was built in 1846 to form an enclosed Quadrangle. This East wing was constructed of Caen stone, but the façades were painted in 1853, only seven years after its completion, because stone had started to crumble. In 1913, the Mall façade was re-faced in Portland stone, but the Quadrangle façade remained painted. In May and October 2006 large pieces of stone fell from this façade and further loose fragments were removed immediately afterwards. It became a major risk to health and safety and therefore repair of this façade was brought forward in the five year plan. Following completion of a trial area, the main contract commenced in January 2009, dividing the façade into three phases. The works comprised removal of nineteen coats of oil paint using chemical strippers, replacement of defective stone (including carving of decorative features), re-pointing and protection of 'sky' surfaces with lead. The extent of the repair work required in some areas was significantly greater than was anticipated on completion of the trial area. This has meant that the overall cost of the project is expected to be £3.2 million (£2.9 million works, £0.3 million fees). The work is expected to be completed in September 2010.

Refurbishment of staff accommodation at the Rear of the Royal Mews, Buckingham Palace (£2.6 million works, £0.3 million fees to date)

In 2005-06, a small area of land was sold at the Royal Garden Hotel, Kensington, generating proceeds of £2.5 million which were paid over to the Department for Culture, Media and Sport in accordance with the terms of the Memorandum of Understanding. However, it was agreed that £2 million of the proceeds would be provided by means of capital funding to Property Services. Property Services used this capital funding towards a project for the modernisation and refurbishment of buildings to the rear of the Royal Mews area of Buckingham Palace to create accommodation for staff.

The Royal Mews contains offices, store rooms, plant rooms, garages, stables and self contained flats. Seventeen flats at the rear of the Royal Mews which had not been refurbished for many years, were left vacant as occupants moved out over a 4 - 5 year period so that they could be refurbished as single persons accommodation (with the option to easily convert back to self contained flats). External walkways have been added to improve access to the various flats. The scope of refurbishment includes asbestos removal, installation of new boilers and heating systems, re-wiring to modern standards, installation of secondary glazing to rooms overlooking the main road, upgrading of AFD systems to incorporate voice alarms, redesign and renewal of all bathrooms and kitchens, fire compartmentation, provision of better means of escape and complete internal and external redecoration.

The project commenced on-site in the autumn of 2007 and the full £2.0 million has been drawn down (2006-07: £0.2 million, 2007-08: £0.7 million and 2008-09: £1.1 million). The project has now been completed and the total cost is £2.9 million with the additional £0.9 million being funded by the Grant-in-aid.

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 26 of the 146 projects in progress during the year (2008-09: 69 out of 237). The 2009-10 fee ratio for these 26 projects, including the appropriate proportion of in-house supervision costs, was 7.3% (2008-09: 8.7%). The overall ratio, including smaller projects, for which the architectural and other services are largely provided by in-house staff, was 17.0%, as mentioned on page 66 (2008-09: 18.2%).

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 reduced by £0.2 million (5.1%) from £3.9 million to £3.7 million in 2009-10.

FACILITIES MANAGEMENT CHARGE

The Property Section charges the Royal Collection for the use of facilities at Windsor Castle in connection with the admission of visitors and, with effect from 2009-10, for the use of facilities at Buckingham Palace in connection with the annual summer opening of the Palace. A facilities management charge of £250,000 for the use of Buckingham Palace, increasing by inflation in future years, therefore contributed to the increase in facilities management charges of £0.3 million from £2.0 million to £2.3 million in 2009-10.

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 77 and 78. 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 across the Estate.

Electricity

In 2009-10 approximately 9.7 million kWh (2008-09: 8.5 million kWh) were consumed on the Estate, an increase of 14.0%. The combined heat and power units (CHP) located at Buckingham Palace and Windsor Castle produced 2.8 million kWh of this consumption (2008-09: 2.8 million kWh).

Gas

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. In 2009-10 approximately 24.1 million kWh (2008-09: 25.0 million kWh) were consumed on the Estate, a decrease of 3.8%.

Carbon Emissions

Lower consumption of gas was offset by higher consumption of electricity in 2009-10 which increased carbon emissions on electricity and gas by 2.4% (2008-09: 0.2 %).

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.

Telephones

The Royal Household currently receives more than 700,000 calls a year of which over 400,000 incoming calls were handled by the switchboard operators during 2009-10 (2008-09: 400,000). Five full-time telephone operators are employed at Buckingham Palace 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 other Royal palaces via private wires and fibre optic links and during the year additional links and software upgrades were implemented for resilience and a full disaster recovery test was carried out. Further cost savings were made by routing international calls to lower cost carriers.

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 hostel 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).

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.

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 28,000 (2008-09: 41,000) people walked round the Buckingham Palace garden during the summer Garden Parties and around 402,000 (2008-09: 394,000) people saw parts of the garden as they walked out through it, having visited the Buckingham Palace State Apartments. In addition, 19,000 (2008-09: 20,000) 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

Fourteen craftsmen including cabinetmakers, gilders, upholsterers, French polishers and clockmakers are responsible for maintaining and repairing furniture and furnishings used in official areas of the Palaces. Work undertaken for other Households and external funding sources is recharged accordingly.

This section also meets the cost of purchasing office furniture and equipment for staff paid from the Grant-in-aid, carpets and furnishings for the Chapels and Central Chancery Offices at St James's Palace, and the restoration of historic carpets.

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 1st April 1991. In addition, income is received from the Royal Windsor Horse Show and Royal Collection Enterprises for the use of office accommodation at Windsor Castle and St James's Palace, 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 35 in 2008-09 to 40 in 2009-10 resulting in a corresponding increase in income from commercial lettings of £0.1 million from £1.2 million to £1.3 million.

COMMUNICATIONS AND INFORMATION

The Monarchy website and web presence has been continually developed since the relaunch of www.royal.gov.uk in February 2009 to keep up with new media trends and technological advances. The website attracts up to 300,000 visitors a week at peak times. Social Media is becoming an increasingly important medium for disseminating assets and information about the work of the Royal Family. In June 2009 a British Monarchy Twitter account was launched which now has over 40,000 followers.

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 31st March 2010. 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 54 (2008-09: 49) journeys undertaken by members of the Royal Family and their staff during 2009-10 which had travel costs of £10,000 or more, met from the Royal Travel Grant-in-aid, is given on pages 114 to 120. The largest tour during the year was that undertaken by The Queen and The Duke of Edinburgh to Bermuda, Trinidad and Tobago.

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 1st January 2007, the Royal Household has participated in the Government Carbon Offsetting Fund. In 2009-10, 2,163 tonnes of carbon are due to be offset at a cost of £60,000 (2008-09: 2,587 tonnes at a cost of £46,000).

Following a competitive tender in 2008-09, the Royal Household acquired a replacement helicopter from the Sikorsky Aircraft Corporation under a lease contract with Lloyds TSB. The new helicopter was delivered in September 2009.

The annual leasing costs for the new helicopter at £480,000 are £50,000 lower than the old helicopter which was originally acquired in January 1999.

The old helicopter, which was leased from Bank of Scotland, was sold by the lessor to the Sikorsky Aircraft Corporation in October 2009. In accordance with the terms of the lease contract between Bank of Scotland and the Royal Household, this gave rise to a refund of lease rentals to the Royal Household amounting to £1.5 million which in turn reduced the Grant-in-aid requirement for the year.

FUTURE DEVELOPMENTS

Developments planned for the next year include the following:

INFORMATION SYSTEMS

In 2010 the ISM team will be looking at various business processes within the Household with the aim of automating as much as possible and ensuring that these processes can cope with the increased workloads expected in association with the Diamond Jubilee in 2012.

FINANCE

Following the implementation of a purchase order processing system last year, procurement guidance has been developed which will be introduced during 2010. The guidance covers aspects of procurement such as tendering, contract management and supply chain management. The introduction of this guidance will involve training sessions for both new and existing staff.

PERSONNEL

Implementation of the internet based recruitment system in January 2009 will ensure that the anticipated 4,000 plus applicants to the Royal Household in 2010 will have their application processed in a timely and efficient manner. The benefits of this new system will enable managers to make more effective recruitment decisions. By the end of 2010 all staff and managers will have access to the integrated Personnel and Payroll database through a self service facility.

Training plans for 2010 have been tailored to support the Household-wide Investors in People initiative and its commitment to Diversity and Equal Opportunities.

A new Level 3 in-house management development programme, accredited by the Chartered Management Institute, will be launched. E-learning programmes will be available for staff on a range of topics.

The Household-wide intranet is to be re-launched with a new “look and feel” in line with the style and format of the new Royal Household web site.

INFORMATION SECURITY AND MANAGEMENT

During 2010, security risk assessment software will be used to identify and control operational risks, and in mid-year, the Household will test its compliance status against ISO27001 through external consultancy.

The Household continues to move towards electronic record keeping, and is exploring the use of workflow and electronic document management systems to achieve this.

A major review programme of all information processes within the Household is being undertaken to ensure they are efficient and can cope with the expected increase in demand during 2012. Senior management will use a Benefits Realisation Management process to prioritise any changes to information based activities in the Household.

PROPERTY SERVICES

The Annual Works Programme and Ten Year Plan of the Property Section has a number of major projects which aim to meet the objectives set by the Department for Culture, Media and Sport, as follows:

Repair of the Ballroom roof at Buckingham Palace

The Ball Room in Buckingham Palace is one of the most important rooms within Buckingham Palace. It is used extensively for State, ceremonial occasions and for numerous other functions and receptions. Leaking areas of the roof have caused damage to the highly decorative plaster ceiling below which have necessitated specialist high level inspection and repairs to stabilise the fibrous plaster and on three recent incidents caused considerable damage to newly refurbished seating below.

The original slates for the roof came from Wales in 1870's, and no major works took place until approximately the early 1950's when the lead gutters were replaced. The 1960's saw the re-slating of the roof using the existing slates. The lead gutters have now failed and in some cases this has been made worse by some timber supports to the gutters being removed or altered during the installation of metal trusses a number of years ago to support the winding gear to raise and lower the chandeliers.

This project involves the erection of a temporary roof to cover the whole roof, the phased removal and storage of all slates (at roof level) to allow the timber gutters and lead to be repaired or replaced as necessary and then the previously removed slates will be re-fixed. The work is being phased to ensure the weight on the roof remains as near as possible constant to its current loading to minimise the possible heave in the roof structure when the load is removed. This will reduce the risk of damage to the ornate plaster ceiling below.

The asphalt which was put on top of the parapets wall adjacent to the gutter, which probably dates from the late 1950's, has also failed in a number of areas. This will be removed and the sky surface will be repaired, prepared and covered with lead.

The temporary roof and material access hoist will be specially designed along with the holding down anchors to secure the temporary structure in place.

The total cost to the Grant-in-aid, including fees and VAT is estimated at £0.8 million.

Replacement of Services at Buckingham Palace

Over the next ten years or so, it is intended to commence the replacement of the heating, hot-water and electrical services throughout the Palace, most of which is over 40 years old. Initially main fuse boards will be replaced, but with the completion of the Back Mews and vacation of areas that could be used as temporary accommodation, it is proposed to replace services within one half of one wing of the Palace at one floor level a year. Asbestos removal will be part of this programme and the opportunity will be taken to install containment for data and telephone services to allow them to be upgraded in the future with relative ease.

Internal Refurbishments at St James's Palace

In 2004-06, office areas within York House and Apartment 32 were refurbished, but the Central Chancery remains outstanding. Similar works are urgently required to replace the electrical services, which are at the end of their life and are difficult to modify and maintain. At the same time, heating and hot-water services will be replaced, which will require the removal of asbestos contamination. New services will include data and telephones, using Cat 5 cabling.

To enable this project to be undertaken, Birdman's Lodge, which has been vacant for over five years, has been refurbished as office accommodation for the Property Section. This will allow the former Property Section offices in Apartment 22 to be used as temporary space for the Central Chancery. On completion, it may be possible to commercially let Apartment 22.

External Fabric Repairs

The long-term programme of external fabric repairs at Buckingham Palace and Windsor is extensive and is therefore dependent on increased funding. It is however intended to manage a limited programme of repairs once the projects to repair the Quadrangle façade and ballroom roof have been completed in 2010-11.

Commercial Lettings

Every opportunity is taken to maximise income to offset a static and now reduced Grant-in-aid 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

One of the recommendations arising from the National Audit Office report in December 2008 related to improvements to the monitoring of condition, so that the Department for Culture Media and Sport can be satisfied that the buildings in the Estate are being maintained in line with the objectives that they set for the Property Section. The Property Section completed a trial of the software developed by Defence Estates for recording condition assessments and will roll it out across the Estate in 2010-11 and 2011-12. This web based system will record actual condition against target condition and will therefore assist in determining the backlog in essential maintenance across the Estate.

ENVIRONMENTAL

Following a study with the Carbon Trust to review opportunities for more effective carbon management, The Royal Household approved an energy management policy during 2009-10. A project to install smart meters throughout the Estate is in progress and this will facilitate efforts to reduce energy consumption.

Combined heat and power units generate electricity in Buckingham Palace and Windsor Castle, while also providing heated water which allows the main boilers to be turned off during the summer. These units are supplemented by flat plate heat exchangers, which have been installed in place of calorifiers to provide hot water. LED lighting is being introduced alongside low energy lamps. Water from the borehole at Buckingham Palace is being used to cool the chillers which provide air conditioning to The Queen's Gallery and wine cellars, the water then being used to irrigate the garden. Waste management continues to be improved in partnership with waste companies, and in-house measures will be implemented throughout the Household to reduce waste at source.

The opportunity to obtain electricity from hydro-electric generation in Windsor continues to be explored now that a scheme has been approved by the Environment Agency.

COMMUNICATIONS AND INFORMATION

Developments to the Royal Household website are anticipated in conjunction with the Diamond Jubilee special programme, the Olympics and the Duke of Edinburgh's 90th birthday.

The launch of a British Monarchy Flickr account is planned to coincide with the beginning of the Summer Opening in July 2010. Online Royal Archives education materials will be published on www.royal.gov.uk for the first time in July 2010 with a view to developing an online education resource in advance of the Diamond Jubilee. Virtual tours, which have proved one of the most popular areas of content on the website, will be expanded in 2010 and planning will begin for a Diamond Jubilee microsite to be launched at the beginning of 2012.

In addition, security of the site will be assured through further penetration testing.

ROYAL TRAVEL

Royal Train

The Royal Household and Network Rail Limited, supported by specialist rail consultants, issued a tender for the maintenance of the Royal Train in October 2007. As a result, D.B. Schenker Rail (UK) Limited (formerly English Welsh & Scottish Railway) assumed responsibility for maintenance of the Royal Train from August 2008 at no increase in cost. Further opportunities for increasing the cost effectiveness of the Royal Train's operations will continue to be explored with D.B. Schenker Rail (UK) Limited and Network Rail Limited.

Fixed Wing

With effect from 1 April 2010 the Ministry of Defence will continue to make available to the Royal Household the service provided by 32 Squadron but on a full cost basis. In recognition of this change, the Ministry of Defence will make a PES transfer of £500,000 to the Department for Transport for the year to 31 March 2011. This transfer will be included in the Royal Household's grant-in-aid for 2010-11 and beyond to reflect the higher cost of commercial fixed wing charter compared with the marginal cost charges previously levied by the Ministry of Defence for the use of 32 Squadron.

Revision of the Financial Memorandum

In view of the changes in Royal Travel operations arising from the provision of fixed wing aircraft services by 32 Squadron from 1 April 2010, the planned update by the Royal Household and the Department for Transport of the Financial Memorandum and the Household's internal guidance on Royal Travel will now be completed during 2010-11.

STATEMENT ON INTERNAL CONTROL

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-aid¹.

The purpose of the system of internal control

The system of internal control 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 system of internal controls 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.

Capacity to handle risk

Strategic leadership of the risk management process comes from the Lord Chamberlain's Committee. Departmental Heads and senior managers are responsible for identifying, assessing and managing risk in their areas of responsibility and all Royal Household staff are encouraged to identify operational risks in the performance of their duties.

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 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.

¹ 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 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.

Specialist risk managers in the Royal Household include the Fire Safety Managers in Windsor and London, the Health and Safety Manager 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.

The risk and control framework

The Royal Household's management of risk is facilitated in the following ways:

- 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 four 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.

Some of the improvements and initiatives that have been made during the year include:

- Enhanced information security arrangements following the introduction of document secure marking software and the introduction of an ISO 27001 reporting tool.
- Implementation of a new Visitor Management Access system which has enhanced physical security arrangements for visitors to the Occupied Royal Palaces.

- A review of security arrangements in relation to the charter of fixed wing aircraft was undertaken by the Royal Household and the Home Office.
- The main control panels for the Automatic Fire Detection systems and control room computers were replaced throughout the Windsor estate and at Buckingham Palace during the year.
- The establishment of a Procurement Strategy Group which is developing standard purchasing guidance for management to help secure best value from expenditure and ensure that best practice is followed with regard to ethical and sustainable procurement.
- The development of an Energy Management Strategy which aims to minimise energy consumption, reduce CO2 and other greenhouse gas emissions and limit the use of finite fossil fuels. An Energy Management Committee has been established to monitor implementation of the strategy and to set targets for reduction in consumption.
- Following the reports of the National Audit Office and the Public Accounts Committee on the maintenance of the Occupied Royal Palaces, the Property Services section is now establishing 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, to be agreed with the Department for Culture Media and Sport. Using software developed by Defence Estates it is anticipated that condition assessments for the whole estate will have been completed by December 2011. This will enable the Household to determine the shortfall against target condition for each part of the Estate and thus provide a more accurate assessment of the expenditure required to bring the Estate up to its agreed target condition.
- The Audit Committee has been strengthened by the appointment of a fourth member from December 2009: Sir David Tweedie, Chairman of the International Accounting Standards Board.

Review of effectiveness

As Keeper of the Privy Purse, I have responsibility for ensuring the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is supported by the work of the internal auditors and the senior managers within the Royal Household who have responsibility for the development of the internal control framework, and comments made by the external auditors and other qualified professionals in their management letters and reports. I have considered the results of the reviews of the effectiveness of the system of internal control by the Audit Committee and have agreed a plan to address weaknesses and ensure continuous improvement of the system is in place.

No significant internal control issues have arisen during the period covered by this report.

Sir Alan Reid

Keeper of the Privy Purse

7 June 2010

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, ROYAL COMMUNICATIONS AND INFORMATION AND THE MAINTENANCE OF MARLBOROUGH HOUSE

Under the terms of the Memorandum of Understanding and the Financial Memorandum in respect of Property Services, Royal Communications and the Maintenance of Marlborough House, 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, Media and Sport as set out in the Memoranda of Understanding.

He is required to submit this annual report to the Lord Chamberlain and the Secretary of State for Culture, 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 2010

