

# Royal travel by air and rail



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL  
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# executive summary

## Introduction and main findings

- 1 Each year, the Royal Family undertakes many engagements for or on behalf of the nation, the armed services and a wide range of other organisations across the public, private and voluntary sectors. Since April 1997<sup>1</sup> the cost of the Royal Family's and the Royal Household's (the Household) travel by air and rail for official functions has been met by a grant-in-aid from the Department of the Environment, Transport and the Regions (the Department). In the three years since that date, expenditure totalling some £39 million has been met by grant-in-aid and in 2000-01, expenditure is expected to be around £5.4 million. This report looks at how the Household and the Department administer and control the grant to ensure that value for money has been obtained on behalf of the taxpayer. Our report does not cover royal travel by car, which is met by the Civil List, Parliamentary Annuities<sup>2</sup> or from the Royal Family's own resources. Our examination covered the period from the beginning of the new grant-in-aid arrangements, in 1997-98, to the most recent financial year 2000-01. Our detailed analysis of expenditure and travel trends and data covers the period to 1999-2000 because outturn figures for 2000-01 are not yet audited and finalised.



- 2 Our main findings are:

### Expenditure charged to the grant-in-aid has reduced by two thirds since the first year of the new arrangements

- In 1997-98 net expenditure charged to the grant-in-aid was £17.3 million but had reduced to an estimated £5.4 million in 2000-01 - a reduction of 69 per cent. In each year expenditure was less than the sum voted by Parliament and any voted sums not paid over to the Household reverted to the Department and the Exchequer.

<sup>1</sup> Prior to April 1997, the cost of official royal travel by air was met and managed by the Ministry of Defence and the Foreign and Commonwealth Office, and the cost of rail travel was met by the then Department of Transport. In June 1997, the Department of the Environment, Transport and the Regions was formed by the merger of the Department of Transport and the Department of the Environment.

<sup>2</sup> Parliamentary Annuities are fixed annual amounts paid to members of the Royal Family other than The Queen, principally to meet the costs incurred in carrying out official engagements. The Queen has, of her own volition, reimbursed the Exchequer for all annuities except those for The Queen Mother and the Duke of Edinburgh.

## The majority of expenditure and savings were on air travel

- Ninety per cent of expenditure, and of the savings since 1997-98, relate to expenditure on air travel, with savings being achieved through the replacement of Royal Air Force helicopters by the Household's own helicopter service, switching to the use of more economical aircraft, and a reduction in the rates charged by the Ministry of Defence for use of fixed-wing aircraft of the Royal Air Force's 32 (The Royal) Squadron (referred to as 32 Squadron from this point on).
- Over the three years since the new arrangements began, there has been a 56 per cent fall in expenditure on air travel, from an initial budget of £17.2 million in 1997-98 (based on actual costs in 1996-97, adjusted to provide a baseline for the new arrangements) to £7.5 million in 1999-2000. At the same time, there was a six per cent fall in the number of air miles travelled by members of the Royal Family.
- Reductions in expenditure resulted from the charges for using the fixed-wing aircraft of 32 Squadron, which fell from the £11.8 million originally budgeted in 1997-98 to £4.2 million in 1999-2000, a reduction of 64 per cent. This reflected a reduction in the number of flying hours planned and used by the Household, a switch from the larger more expensive BAe146 to the smaller BAe125 aircraft, and reductions in the unit charges for the use of these aircraft. Charges for 32 Squadron are expected to fall again in 2000-01, to £1.8 million, due to further reductions in the use of, and unit charges for, the Squadron's fixed-wing aircraft.
- The Household also achieved a significant reduction in expenditure by switching in 1998 from the use of 32 Squadron's Wessex helicopters to its own helicopter operation, which it set up after reviews which indicated savings of up to £2.1 million a year. Between 1997-98 and 1999-2000, the number of helicopter hours flown increased, with the new helicopter service displacing more expensive travel by the Squadron's larger fixed-wing aircraft.

## The basis of charging for royal use of 32 Squadron needs to be reviewed

- The current system of charges for 32 Squadron, intended to recover the full costs of the Squadron's operation, was agreed between the Ministry of Defence, the Department, the Treasury and the Household when the new grant-in-aid arrangements were introduced. In April 1995 The Queen's Flight and the former 32 Squadron had been combined to form the new Squadron, serving military communications and royal flying roles. Royal flying accounted for a higher proportion of the new Squadron's capacity than is now the case, and all parties were rightly concerned to ensure that the full costs of using the Squadron were taken into account in decisions as to its capacity and use.
- However, in September 1999, following a review, the Ministry formally recognised that the principal purpose of 32 Squadron was to provide communications and logistical support to military operations; the Squadron's capacity should be based on military needs only; and any royal or other non-military use of irreducible spare capacity was secondary to its military purpose. Treasury guidance on fees and charges allows for charges to be set to cover variable or marginal costs when assets (in this case 32 Squadron's aircraft) are held on standby for their principal role and can be made available to other users without detriment to this role. Non-military users of the Squadron other than the Royal Family are charged only for the variable costs of that use. As a result of our enquiries, the Ministry, the Department and the Treasury have now agreed to change the basis of



charging. A change to variable cost charging will benefit the taxpayer, because it allows the Household to use 32 Squadron when the variable cost of 32 Squadron is lower than the costs of a charter, so long as 32 Squadron has planes available.

### The Household has established effective arrangements for procuring chartered and scheduled flights

- Expenditure on chartered flights increased from around £0.9 million in 1997-98 to just over £1.1 million in 1999-2000. Over that period, the total miles<sup>3</sup> travelled on chartered flights rose by 6 per cent. For chartered flights, the Household seeks quotes from two airlines and a broker. The Household's specification for the charter of aircraft is detailed and exacting, and there are few airlines able to make such aircraft available for hire. The Household told us that it reviews its choice of broker every two years and plans to do so later in 2001.
- In contrast, expenditure on scheduled flights fell by 30 per cent from just under £0.47 million in 1997-98 to just over £0.3 million in 1999-2000. Over that period, the total miles travelled by scheduled aircraft fell by 24 per cent, with a 16 per cent reduction in the cost per mile. For scheduled flights, the Household has a longstanding agreement with British Airways, last negotiated in 1998, which provides a range of discounts on published fares. In general, the rates of discount obtained by the Household on scheduled flights since 1998 compare very well with those obtained elsewhere in the public sector and by companies with a similar volume of business travel. However, the air travel industry is highly competitive, and airlines may change their pricing structures from time to time. There may therefore be scope for the Household to take advantage of lower fares offered elsewhere; whilst members of the Royal Family might expect to fly the flag and use a British carrier, around a third of scheduled flights are made by staff of the Household.

### The Household has also reduced expenditure on royal travel by rail

- Expenditure on rail travel has fallen by more than half, from an original budget of £1.9 million in 1997-98 to expenditure of £0.8 million in 1999-2000; even though the number of rail miles more than doubled.
- The Household has reduced the cost of the royal train by cutting back the number of carriages maintained and operated, from 14 to 9, by rationalising maintenance to more accurately reflect coach usage, and by renegotiating planning and co-ordination charges with its supplier.
- The Department and the Household appointed consultants to assist in the disposal of surplus royal train carriages, which had been purchased and maintained at public expense by the Department and its predecessors. The sale of these vehicles resulted in receipts of £0.235 million to the Exchequer.

### The Household and Department have introduced systems to better administer royal travel

- Since the new arrangements came into place, to improve accountability and transparency the Household has published an annual report on the grant-in-aid for royal travel, including audited accounts and a listing of every journey costing more than £500.

<sup>3</sup> The Household uses miles travelled by members of the Royal Family as a principal measure of performance. Cost per mile is calculated by dividing all costs, including the cost of journeys by staff of the Household, by the number of miles travelled by Family members. Unless otherwise stated, all references in this report to miles travelled and cost per mile are on this basis.

- The Household has introduced a system to document and to bring cost considerations to bear on decisions about modes of travel for all official journeys costing more than £2,500 or which use 32 Squadron, the royal helicopter or royal train; and a full explanation is required in cases where only one option is identified or the preferred option is not the cheapest.
- The definitions of official travel, and of official passengers whose travel is paid for from the grant-in-aid, are covered in guidance produced by the Household. This guidance supersedes guidance issued by the Cabinet Office and in the Financial Memorandum, and has been approved by the Department. The guidance does not make clear that "staff of the Household" has, since before the grant-in-aid, included all direct employees, as well as experts and specialists, such as doctors, hairdressers and artists invited by members of the Royal Family for a specific engagement. The guidance does not include a specific procedure for consultation with the Department in cases of doubt, although the Household assured us that this would happen if any significant amounts were involved.
- The Household has instituted systems to collect repayments due in respect of private travel by members of the Royal Family and reimbursable travel by journalists and others. In general, this system works well but reimbursement could be speedier and the Household itself needs to retain better records to evidence the amounts to be recharged to the media.



- Under the terms of the Financial Memorandum, the Department is responsible for ensuring that the grant-in-aid is not drawn down in advance of need. During 1998-99 and 1999-2000, the Household's month-end cash balance fell below its contingency level of around £300,000 on one occasion. This contingency provision went up from £250,000 to over £300,000, although average monthly expenditure halved from £1.5 million in 1997-98 to £730,000 in 1999-2000. Even though the surplus funds held by the Household are banked and earn good rates of interest, it is a precept of government accounting that such balances can be better used by the Exchequer and should be kept at a minimum. Following our examination, the Department and the Household have agreed to review the level of contingency.

## Conclusion and recommendation

- 3 The Household has made very good progress in making significant reductions in expenditure on royal travel whilst maintaining flexibility and standards of provision. At the same time, there is greater transparency and accountability for this expenditure. Our main recommendation, which has now been accepted, is that the Department, the Ministry and the Treasury should agree that the Household's use of 32 Squadron be charged at variable rather than full cost, to better represent the cost to the taxpayer and as a basis for deciding between travel options to minimise overall costs to the taxpayer. Other, more minor, recommendations are included in the main text of the report and brought together at Appendix 1.

