



National Audit Office



REPORT

Royal Household spending and accountability

The Royal Household

SESSION 2022-23
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Key facts

£86.3mn

the value of the Sovereign Grant (the Grant), the main source of public funding for the Royal Household, in 2023-24

£10.1mn

the value of the Sovereign Grant Reserve (the Reserve), a fund where surplus funds are kept for future contingencies, as at 31 March 2023

£117.3mn

the Royal Household's expenditure on official duties and the maintenance of the Occupied Royal Palaces in 2022-23, of which £107.5 million came from public funds (the Grant and the Reserve)

- £9.8 million** other income that supplements the Grant. This includes facilities management fees from the Royal Collection Trust, recharges and property rental income
- 2012** the year the Sovereign Grant Act 2011 (the Act) came into force, replacing the previous funding system for the Royal Household with the Grant
- 15%** the original percentage of The Crown Estate's revenue account profit that was allocated annually to the Royal Household in the form of the Grant, according to the Act
- 25%** the updated percentage of The Crown Estate's revenue account profit that is allocated annually to the Royal Household in the form of the Grant, from 2017-18, to fund the reservicing of Buckingham Palace, following the first periodic review of the Grant
- £442.6 million** The Crown Estate's revenue account profit in 2022-23, that is deposited into the government's general bank account, known as the Consolidated Fund
- £369 million** the total amount approved by HM Treasury to fund the reservicing of Buckingham Palace over a 10-year period from 2017-18
- £185.1 million** the amount spent on the reservicing of Buckingham Palace as of 31 March 2023
- 2023** the most recent periodic review of the Grant is scheduled to be published. If needed, a statutory instrument will be laid in Parliament to adjust the funding formula for the Grant

Summary

1 The Royal Family is funded by a variety of private and public sources. The Royal Household, which supports the Sovereign and members of the Royal Family in their official duties, has been publicly funded since 1760, when King George III agreed to surrender to Parliament the net income from The Crown Estate (see **Figure 1** on pages 6 and 7) and hereditary revenues in return for a fixed annual payment.

2 The Sovereign Grant Act 2011 (the Act) came into force from 1 April 2012. It sets out the approach to calculating the value of the grant paid by HM Treasury to the Royal Household to support the official duties of the Sovereign and to maintain the Occupied Royal Palaces. Prior to this, the government provided financial support to the Sovereign via the Civil List, a payment to cover official expenses, and three additional grants to cover travel, communication and property maintenance.

3 The Sovereign Grant (the Grant) is the source of public funding for the Sovereign. The Sovereign also receives other income from the Privy Purse, including private income from the Duchy of Lancaster. The activities of the Prince of Wales and his family are largely funded by private income from the Duchy of Cornwall.

4 The purpose of this report is to enhance transparency in a matter of national interest. It is not a value-for-money assessment and does not contain recommendations. This report describes the funding arrangements for the Royal Household as well as the accountability and oversight procedures. It outlines:

- the role of public money in financing the Royal Household and how the funds are used (Part One);
- the respective roles of HM Treasury, Parliament and the Comptroller and Auditor General (the C&AG) in providing the funds, engaging in oversight and auditing the accounts (Part Two); and
- future considerations that might impact upon funding for the Royal Household (Part Three).

5 This report focuses on public funding for the Royal Household. It also outlines the accountability arrangements that Parliament has put in place for the duchies of Lancaster and Cornwall, but does not go into detail about the duchies, or other private funds, which are outside of the remit of the National Audit Office (NAO). Appendix One sets out our audit approach and evidence base. Appendix Two sets out the legislation that this report refers to and Figure 1 provides definitions for key terms used in this report.

Figure 1

Definitions of key terms used in this report

We refer to the following terms relating to the Royal Household in our report

Term	Definition
Consolidated Fund	The UK government's general bank account held at the Bank of England. Taxation and other monies paid to HM Treasury are paid into this fund, including the revenue account profit from The Crown Estate.
The Crown Estate	An independent commercial business, set up by the Crown Estate Act 1961, to manage land and the seabed around England, Wales and Northern Ireland. It is a non-financial public corporation with a wide portfolio of investments managed on behalf of the government. It is not the personal property of the Sovereign, and His Majesty receives no monies directly from it. Any revenue account profit from The Crown Estate is paid each year to HM Treasury.
The Crown Estate's revenue account profit	The revenue account profit is stated in the statement of accounts certified by the Comptroller and Auditor General under section 2 of The Crown Estate Act 1961. The revenue account is separate from the capital account. The Sovereign Grant Act 2011 and subsequent Sovereign Grant and Sovereign Grant Reserve annual reports and accounts refer to the revenue account profit as 'income account net surplus'. In 2022-23, the revenue account profit was £442.6 million.
Duchy of Cornwall	Established by Edward III in 1337 as a private estate to provide independence to his son and heir, the Duke of Cornwall. As such, the Duke is entitled to the estate revenue but not the capital assets. The revenue account surplus from the estate goes to the Duke of Cornwall (or the Sovereign when there is no Duke).
Duchy of Lancaster	A portfolio of land, property and assets held in trust for present and future Sovereigns and created as a private estate in 1461.
Head of State	The British Monarchy is a constitutional monarchy, whereby the Sovereign is politically impartial and exercises their constitutional powers on the advice of government ministers. As Head of State, the Sovereign undertakes ceremonial and constitutional duties.
Keeper of the Privy Purse	The Keeper of the Privy Purse and Treasurer to the Sovereign has overall responsibility for the management of the Sovereign's financial affairs. As part of the role, they serve as the Accounting Officer of the Sovereign Grant and are accountable to HM Treasury and to Parliament. The Keeper is appointed by the Sovereign and appointed Accounting Officer for the Sovereign Grant by HM Treasury.
Lord Chamberlain's Committee	The committee responsible for overall management and oversight of the Royal Household's activities, setting strategic plans and priorities, monitoring risk and ensuring that the Royal Household's obligations relating to the Sovereign Grant and to other stakeholders are met.
Occupied Royal Palaces	Buckingham Palace, St James's Palace, the residential and office areas of Kensington Palace, Clarence House, the Royal Mews and Royal Paddocks at Hampton Court and Windsor Castle and buildings in the Home Park at Windsor. This does not include the Historic Royal Palaces, a charity tasked with conserving non-occupied palaces such as the Tower of London and Hampton Court Palace.
Privy Purse	The private finances and estates of the Sovereign. It funds official expenditure incurred by other members of the Royal Family who perform official duties that is not met by the Sovereign Grant, at the discretion of the Sovereign.

Figure 1 *continued*

Definitions of key terms used in this report

Term	Definition
Reservicing of Buckingham Palace	A 10-year project to replace the ageing services (plumbing, electrics, heating and drainage) of the Palace to reduce the risk of fire or flood and deliver operational improvements.
Royal Collection Trust	Royal Collection Trust incorporates a registered charity, the Royal Collection Trust, and its trading company, Royal Collection Enterprises Ltd. It looks after the Royal Collection and manages the public opening of the official residences of the Sovereign in England and Scotland.
Royal Household	Five collective departments that support the Sovereign and members of the Royal Family: the Private Secretary's Office, the Privy Purse and Treasurer's Office, the Master of the Household's Department, the Lord Chamberlain's Office and Royal Collection Trust.
Royal Trustees	The Prime Minister, the Chancellor of the Exchequer and the Keeper of the Privy Purse.
Sovereign Grant	Funds provided by the UK government to support the Sovereign in his official duties, including the maintenance of the Occupied Royal Palaces. The Sovereign Grant replaced the Civil List and grants-in-aid in 2012.
Sovereign Grant Reserve	A fund where surplus funds are held for future contingencies and future expenditure on the Buckingham Palace reservicing programme until its completion.

Source: National Audit Office literature review

Key findings

Funding and expenses

6 The Royal Household receives public funding in line with the Act. The Act specifies that the Sovereign receives a grant each financial year. The Grant is used to fund expenditure incurred by the Sovereign and provide certain resources to support other members of the Royal Family in the performance of official duties. This includes staff salaries and travel expenses, as well as maintenance of the Occupied Royal Palaces, including Buckingham Palace and Windsor Castle, which are used for official purposes. Under the Act, the Grant is based on a percentage of The Crown Estate's revenue account profit in the year two years prior to the funding year. The funding formula keeps the Grant in line with the income growth achieved by The Crown Estate. It also guarantees the Grant will not drop below the previous year's funding. For example, in determining the Grant level for 2023-24, 25% of The Crown Estate's 2021-22 revenue account profit, which had dropped during the COVID-19 pandemic, would be £78.2 million, so the Grant was set at the previous year's level of £86.3 million (paragraphs 1.2 and 1.6, and Figures 3 and 4).

7 The Royal Trustees (the Trustees) determine the annual value of the Grant.

The Trustees are the Prime Minister, the Chancellor of the Exchequer and the Keeper of the Privy Purse, the last of whom is responsible for the day-to-day operations and management of the Grant. The Act requires the Trustees to prepare a yearly report stating the proposed level of the Grant for the following year and how that amount has been determined. Following every five-year period, they must also produce a comprehensive review, including an assessment of what percentage of The Crown Estate's revenue account profit should be used to determine the Grant for the next five-year period. The Act also sets out procedures for adjusting the value of the Grant. HM Treasury must lay a draft statutory instrument before Parliament for the specified percentage. An increase in the percentage would require the statutory instrument to be debated and approved by the House of Commons before the amendment comes into law when the final statutory instrument is laid. A decrease in the percentage can be approved by Parliament without debate (paragraphs 1.6, 1.8 and 1.9).

8 The Sovereign Grant Reserve (the Reserve) holds unused funds from the Grant.

If the whole of the Grant is not spent for that year, the surplus is paid into the Reserve, controlled by the Trustees. The Royal Household may draw down on the Reserve in future years subject to agreement by the Trustees. The amount that may accumulate in the Reserve is limited in line with the provisions set out in the Act. This gives the Trustees the power to set a lower level of the Grant than the formula would otherwise generate, to encourage a drawdown from the Reserve. The Reserve grew from 2017-18 to 2019-20 when the reservicing of Buckingham Palace was in its early stages and has decreased as the reservicing has progressed. At 31 March 2023, the Reserve held £10.1 million (paragraphs 1.7 and 1.15, and Figure 3).

9 In 2017, the percentage of The Crown Estate's revenue account profit that should be used to calculate the Grant was increased to fund the reservicing of Buckingham Palace.

The Act originally set the Grant to be 15% of The Crown Estate's revenue account profit for the first five years. The first periodic review by the Trustees, in 2016, recommended that the percentage be increased to 25% from 2017-18. This increase was to fund the reservicing of Buckingham Palace, a 10-year programme. Parliament approved this increase to fund an expected expenditure of £369 million over the life of the programme to 2026-27. By 31 March 2023, £185.1 million had been spent on the programme. The Trustees' 2016 report noted the government's intention to bring forward legislation to reset the level of the Grant to appropriate levels once the reservicing works have been completed (paragraphs 1.10 to 1.14, and Figures 4, 5 and 6).

10 In 2022-23, the Grant was £86.3 million. Of that total, £51.8 million was intended for core activities and £34.5 million for the reservicing of Buckingham Palace. The Royal Household's expenditure on official duties and the maintenance of the Occupied Royal Palaces in 2022-23 amounted to £117.3 million. The Royal Household received £9.8 million from other income including property rentals and recharges for shared services to Royal Collection Trust and the Privy Purse. Funds from the Reserve were used to make up the £21.2 million difference between income and expenditure. HM Treasury expected that the Royal Household would pay into the Reserve during the early stages of the reservicing and would withdraw from the Reserve as the programme progressed (paragraphs 1.15 and 1.16, Figures 4, 7 and 8).

11 The Royal Household's biggest expenditure is property maintenance of the Occupied Royal Palaces. Of the £117.3 million expenditure in 2022-23, 49% (£57.8 million) was spent on maintenance and 23% (£27.1 million) on salaries for employees of the Royal Household who support the work of the Sovereign in their role of Head of State. Most of the maintenance expenditure was spent on the reservicing of Buckingham Palace (£43.0 million). The Royal Household has a rolling ten-year plan for maintaining the Occupied Royal Palaces. Each year, this is broken down to create an annual works programme funded by the Grant (paragraph 1.17 and Figure 8).

Accountability and oversight

12 HM Treasury is the Royal Household's sponsoring department and is therefore responsible to Parliament for the Grant. The Grant is included in HM Treasury's budget. As such, it is responsible for paying the Grant to the Royal Household and ensuring that it complies with all necessary requirements. HM Treasury appoints the Accounting Officer of the Grant, specifies the format of annual report and accounts and has a framework agreement relating to the Grant that sets out the governance and accountability arrangements between HM Treasury and the Royal Household. This agreement also specifies the responsibilities of the Permanent Secretary to the Treasury, the Treasury Officer of Accounts, and the Keeper of the Privy Purse (paragraphs 2.11 to 2.18 and Figure 12).

13 The Keeper of the Privy Purse and Treasurer to the Sovereign (the Keeper) is the Accounting Officer of the Grant and is accountable to HM Treasury and to Parliament. The Keeper is responsible for ensuring that Royal Household spending complies with all relevant legislation and accepted public sector principles, such as propriety and regularity. The Keeper is also required to ensure that they meet the requisite standards of governance, decision-making, transparency and financial management. Under the Act, the Keeper is also required to prepare annual accounts detailing how the Grant was spent and must supply a copy to the C&AG for audit. The Keeper delegates authority to the executive members of the Lord Chamberlain's Committee, which operates as the executive board for the Royal Household, to make decisions and spend up to pre-set limits (paragraphs 2.2 to 2.4).

14 Under the Act, the C&AG, the head of the NAO, audits, certifies and reports on the Grant. The C&AG's audit certificate and report is published within the Sovereign Grant and Sovereign Grant Reserve annual report and accounts each year. The C&AG also carries out value-for-money reviews, which are examinations into economy, efficiency and effectiveness. The NAO previously reported on the Grant and its financial management in 2013. The C&AG plans to undertake value-for-money audit work on the Buckingham Palace reservicing programme in 2024 (paragraphs 2.18 and 2.20).

15 Other income streams received by specific members of the Royal Family, are not subject to the same accountability arrangements as the Grant. As neither the Duchy of Lancaster nor the Duchy of Cornwall are funded by public money, they are not audited by the NAO. However, under the Duchies of Lancaster and Cornwall (Accounts) Act 1838, the accounts of both estates are laid before Parliament. This is facilitated by HM Treasury. Both sets of accounts are audited by privately appointed external auditors. The Treasury Officer of Accounts issues accounts directions to both Duchies, which stipulate the format and accounting standards for the accounts and a minister is required to lay both signed accounts before Parliament. HM Treasury holds an additional statutory layer of oversight over the Duchy of Cornwall to ensure that the long-term value of the estate is not compromised. The Duchy is required to obtain approval from HM Treasury for capital transactions above a set value, which was £0.5 million during 2022-23 (paragraphs 1.20, 1.21, 2.26 and 2.29).

Future considerations

16 Expected revenue related to offshore windfarms is likely to affect the periodic adjustment in the funding formula for the Grant. In January 2023, The Crown Estate signed Agreements for Lease on the latest round of offshore windfarms (Offshore Wind Leasing Round 4 or 'Round 4') and as a result has now started to include the option fee income in its accounts. These fees are expected to significantly increase The Crown Estate's net revenue and revenue account profit. Approximately £1 billion of income per annum will be generated from the option fees across the six projects that comprise Round 4, for at least three years during the option fee period. Since the Grant is set in relation to The Crown Estate's revenue account profit, the Grant would likely increase substantially if the formula is not revised. The latest periodic review of the Grant by the Trustees is expected to be published in 2023 (paragraphs 3.1 to 3.11, and Figure 13).