



HM Treasury

Sovereign Grant Act 2011:

**Report of the Royal Trustees
on the Sovereign Grant 2023-
24**

March 2023

Sovereign Grant Act 2011: **Report of the Royal Trustees on the Sovereign Grant 2023- 24**

Presented to Parliament pursuant to Section 5(4) of the Sovereign Grant Act 2011

March 2023



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Chapter 1

Report of the Royal Trustees on the Sovereign Grant 2023- 24

Legislative background

Calculation and payment of the Sovereign Grant

1.1 Under section 1(1) of the Sovereign Act 2011 (“the 2011 act”) the Treasury is to pay His Majesty a Sovereign Grant (“the grant”) for each financial year.¹ The purpose of the grant is to provide resources for use for that year by the Royal Household in support of His Majesty’s official duties.²

1.2 For each financial year, subsequent to the financial year 2012-13, the amount of the grant is the amount determined by the Royal Trustees³ for that year in accordance with section 6 of the 2011 act.⁴ Section 6 of the 2011 act as amended by the Sovereign Grant Act 2011 (Change of Percentage) Order 2012,⁵ provides that the amount of the grant for a financial year (“the relevant financial year”) is to be determined by the Royal Trustees as follows.

¹ Financial year for these purposes means a year beginning with 1 April (see section 13(3) of the 2011 act).

² Section 1(2) of the 2011 act. In the 2011 act any reference to the support of His Majesty’s official duties includes the maintenance of Royal Palaces and related land (see section 13(8) of the 2011 act).

³ The Royal Trustees are the body established by section 10 of the Civil List Act 1952 (see section 13(7) of the 2011 act). They are the Prime Minister (as the First Commissioner of His Majesty’s Treasury), the Chancellor of the Exchequer and the Keeper of the Privy Purse.

⁴ Section 1(4) of the 2011 act.

⁵ SI 2017/438. This SI amended the percentage specified in step 1 of section 6(1) of the 2011 act from 15% to 25%.

Step 1

Calculate 25% of the income account net surplus of The Crown Estate⁶ for the base year.⁷

Step 2

Round the amount calculated under Step 1 up to the nearest £100,000.

Step 3

Find the greater of—

- (a) the amount determined under Step 2, and
- (b) the amount of the Sovereign Grant for the financial year that immediately precedes the relevant financial year

That amount is “the Step 3 amount”.

Step 4

If the adjusted value of the Reserve Fund⁸ at the end of the base year⁹ exceeds 50% of the audited net relevant resources used for that year,¹⁰ the Royal Trustees may reduce the Step 3 amount by such amount as they consider appropriate.

Step 5

The amount of the Sovereign Grant for the relevant financial year is—

⁶ The income account net surplus of The Crown Estate for a financial year is the amount of that surplus as stated in the statement of accounts certified by the Comptroller and Auditor General under section 2 of The Crown Estate Act 1961 (see section 12(1) of the 2011 act).

⁷ The base year means the financial year that begins two years before the beginning of the relevant financial year (see step 1 in section 6 of the 2011 act).

⁸ The Reserve Fund was established under section 3 of the 2011 act. Grant not used for the year for which it is made is paid into the Reserve Fund. In years when the use of resources exceeds the amount of the grant, drawings from the Reserve Fund will supplement the grant (see generally section 3(3) and (4) of the 2011 act).

⁹ The adjusted value of the Reserve Fund at the end of the base year is the value of the Reserve Fund as stated in the statement of accounts for the base year as certified by the Comptroller and Auditor General under section 4 of the 2011 act but adjusted to take account of any payments to and from the Fund in respect of the base year which are not reflected in that statement of accounts (see sections 6(2) and (3) and 12(1) of the 2011 act).

¹⁰ The audited net relevant resources used for a financial year are the amount of net relevant resources used for that year as stated in the statement of accounts certified by the Comptroller under section 2 of the 2011 act (see section 12(1) of the 2011 act). For these purposes, net relevant resources for a financial year are the amount of resources used by the Royal Household for that year in support of His Majesty's official duties less the amount of income of the Royal Household for that year (excluding the grant) (see section 2(7) of the 2011 act).

- (a) the Step 3 amount, or
- (b) if Step 4 applies, the Step 3 amount as reduced by the reduction (if any) made under Step 4

1.3 In exercising their powers under Step 4, the Royal Trustees must act in a way they expect will result in the adjusted value of the Reserve Fund at the end of the relevant financial year being about 50% of the audited net relevant resources used for that year.¹¹

Report of the Royal Trustees

- 1.4 Each financial year the Royal Trustees must prepare a report stating their determination of the grant for the following year and how that amount has been determined.¹² The report must be prepared as soon as practicable after the Comptroller and Auditor General has reported on:
- the statement of accounts of the Royal Household for the previous financial year
 - the statement of accounts of the Reserve Fund for that financial year
 - the statement of accounts for that year prepared by The Crown Estate Commissioners¹³
- 1.5 The Royal Trustees must give a copy of this report to the Treasury and the Treasury must lay the report before Parliament.¹⁴

The report

- 1.6 This report is made by the Royal Trustees under section 5(1) of the 2011 act.
- 1.7 This report states the determination of the Royal Trustees of the amount of the Sovereign Grant for the financial year 2023-24. It also states how that amount has been determined.

¹¹ Section 6(4) of the 2011 act.

¹² Section 5(1) of the 2011 act.

¹³ Section 5(2) of the 2011 act.

¹⁴ Section 5(3) and (4) of the 2011 act.

Sovereign Grant for the financial year 2023-24

- 1.8 The amount of the Sovereign Grant for the financial year 2023-24 is £86,300,000.
- 1.9 A statement of how that amount has been determined by the Royal Trustees is included in annex A to this report.
- 1.10 Annex B contains information about the ongoing review by the Royal Trustees under section 7 of the 2011 act.

The Rt Hon. Rishi Sunak, MP

The Rt Hon. Jeremy Hunt, MP

Sir Michael Stevens

March 2023

Annex A

Statement of how the Sovereign Grant for 2023-24 has been calculated

A.1 The Sovereign Grant for 2023-24 has been determined in accordance with section 6 of the 2011 act as follows.

Step 1

The income account net surplus of The Crown Estate for 2021-22 was £312,700,000¹⁵

25% of £312,700,000 is £78,175,000

Step 2

£78,175,000 rounded up to the nearest £100,000 is £78,200,000.

Step 3

The grant amount for the financial year 2022-23 was £86,300,000.

The greater of £78,200,000 and £86,300,000 is £86,300,000.

The Step 3 amount is, therefore, £86,300,000.

Step 4

The adjusted value of the Reserve Fund at the end of the financial year 2021-22 was £30,800,000.¹⁶

The audited net relevant resources used for the financial year 2021-22 were £102,400,000.¹⁷

50% of £102,400,000 is £51,200,000.

¹⁵ See page 98 of [the-crown-estate-annual-report-2021-22-laying.pdf \(thecrownestate.co.uk\)](https://www.thecrownestate.co.uk/the-crown-estate-annual-report-2021-22-laying.pdf)

The entry 'consolidated revenue account profit' in the Consolidated Revenue Account is the income account net surplus of The Crown Estate for 2020/21.

¹⁶ See page 80 of [Sovereign Grant Annual Report and Accounts 2021-22 for laying.PDF \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/Sovereign-Grant-Annual-Report-and-Accounts-2021-22-for-laying). This also includes the Non-Current Assets Reserve which is accounted for separately from the Sovereign Grant Reserve Fund.

No payments to and from the Reserve Fund in respect of the financial year 2021/22 have been made which are not reflected in the Annual Report and Accounts.

¹⁷ See page 78 of [Sovereign Grant Annual Report and Accounts 2021-22 for laying.PDF \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/Sovereign-Grant-Annual-Report-and-Accounts-2021-22-for-laying).

The entry audited net relevant resources is the Total Net Expenditure in the Statement of Income and Expenditure of The Sovereign Grant and Sovereign Grant Reserve Annual Report and Accounts 2021/22.

Step 4 does not, therefore, apply for the financial year 2023-24, since the adjusted value of the Reserve Fund at the end of 2021-22 did not exceed 50% of the audited net relevant resources used for that year.

Step 5

The grant for the financial year 2023-24 is the Step 3 amount, that is £86,300,000

Annex B

Review by the Royal Trustees under section 7 of the Sovereign Grant Act 2011

B.1 As set out in last year's Royal Trustees' Report, a review has commenced, in line with the requirements in section 7 of the 2011 Sovereign Grant Act, to consider whether the percentage currently specified in Step 1 of section 6(1) of the act is appropriate. However, for the next few years the level of The Crown Estate's income net surplus will be heavily impacted by the scale of additional option fee revenues from offshore wind developments.

B.2. Following the bidding process for the latest Offshore Wind Leasing Round (Round 4), The Crown Estate is expecting to receive option fees for these projects of several hundred million pounds each year. This will feed through to a large increase in The Crown Estate's income net, which is a relevant consideration for the review.

B.3. The timing of The Crown Estate starting to recognise the income from these option fees was dependent upon the completion of the environmental assessment (the 'Habitats Regulations Assessment', or HRA) and the subsequent Agreement for Leases (Afls) with developers. The HRA process concluded in July 2022, and Afls were agreed in January 2023.

B.4 HM Treasury and The Crown Estate are also in discussion about the transfer from revenue to capital, which supports The Crown Estate's maintenance and investment programme and is currently agreed as 9% of the previous year's gross revenue. The level of this transfer will also impact on The Crown Estate's income net surplus, so is also a relevant consideration for the review.

B.5 In light of these recent developments, the Royal Trustees now expect to conclude their review of the grant calculation formula in the next few months. If the Royal Trustees conclude that the percentage should be changed, the Act requires the Treasury to lay an order (statutory instrument) to amend the percentage, which would have effect from April 2024.

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