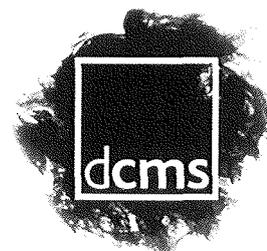


CMS 191031/mk



department for
culture, media
and sport

Sir Alan Reid KCVO
Keeper of the Privy Purse
Buckingham Palace
London
SW1A 1AA

Email: alan.reid@royal.gsx.gov.uk

8 November 2011

Dear Sir Alan,

2010 SPENDING REVIEW

I am very sorry you have not received a letter confirming the allocation for Royal Household Property Services (RHPS) before now. You've been managing very professionally in the meantime but, for the record, this letter should correct the omission.

This letter sets out the funding settlement for RHPS for the financial year 2011-12. As you know, the Government proposes to develop with the Royal Household a new system of consolidated finance administered by HM Treasury, the Sovereign Support grant, from 1 April 2012. My officials are currently discussing with the Treasury the arrangements for transferring responsibility for the grant in aid DCMS pays to RHPS.

The outcome of the Spending Review for DCMS was a budget reduction of 25% by 2014-15, which comprises a 24% reduction to the resource budget and a 32% reduction to the capital budget. The overall approach to the spending review has been to tackle the challenge in a strategic way, based on four principles:

- cutting waste and inefficiency, stopping lower priority projects and rethinking the role of the state in the sectors in which we operate;
- protecting for the long term our unique cultural, media and sporting assets;
- delivering a safe and successful Olympics in 2012; and
- contributing to the Government's growth agenda by supporting growth in our sectors and in the wider economy.

The budget for the Royal Household Property Services in 2011-12 will be £15.414m. This settlement comprises the following discrete elements:



improving
the quality
of life for all

- £14.55m for property maintenance, certain utilities and related services
- £0.504m for Royal Communications and Information
- £0.36m for the security contract and essential work at Marlborough House.

In keeping with my priority to bear down on administration costs, I would like RHPS to continue to reduce its administration costs over the period.

Budgetary control totals

The control totals against which the RHPS's net expenditure will be monitored and the grant in aid that DCMS will pay in 2011-12 are set out in the table below. The key control is the near-cash spending on programmes.

£m	Resource Budget		Total Resource (DEL) Budget	Capital Budget	Total Capital (DEL) Budget	Grant in Aid
	Programme (near-cash)	Ring fenced depreciation		Core capital		
2011-12	£15.414	0.654	16.061	0	0	£15.414

The Resource DEL Budget is split into two sub-totals rather than three because the Treasury has agreed that the other near-cash control, Administration, does not apply to RHPS. Some further information about the nature of these control totals and the flexibility between budgets can be found in **Annex A**.

Transparency

I am aware that in recent years the Royal Household has done much to improve the transparency of its financial arrangements. In line with the importance the Coalition Government places on Transparency, we look to RHPS to make more relevant information available to the public in accordance with the Transparency agenda.

Despite the difficult circumstances, this represents a fair settlement with safeguards to protect the cultural cores.

Yours sincerely


John Penrose MP
Minister for Tourism and Heritage

Resource DEL budget

The **Depreciation** budget is operated as a one-way ring fence. This means that, after your net depreciation¹ and impairment charges have been set against it, any overspend must be covered by a reduction in expenditure on either the Programme or Administration budgets. Should there be an underspend against the depreciation budget however, no additional expenditure is permitted in other areas.

Capital DEL budget

For RHPS the Capital DEL budget control total is only for **core capital** which in 2011-12 is given as nil for clarity. RHPS does not have any allocation under the two other categories, projects and grants, so they are not included.

¹ The depreciation charged against the DEL budget excludes depreciation on assets funded by lottery grants or donations.