



The Sovereign Grant and Sovereign Grant Reserve

Annual Report and Accounts 2020-21



SOVEREIGN GRANT ACT 2011

The Sovereign Grant and Sovereign Grant Reserve Annual Report and Accounts 2020-21

Presented to Parliament pursuant to Section 2 and Section 4 of the Sovereign Grant Act 2011

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FRONT COVER: Image from Her Majesty's Address to the UK and the Commonwealth on 5^{th} April 2020

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THE SOVEREIGN GRANT

The Sovereign Grant Act 2011 came into effect from 1 April 2012 and consolidated the funding provided to support the official duties of The Queen and maintain the Occupied Royal Palaces¹. Until 31 March 2012, funding had been provided under the Civil List and the Grantsin-aid for the Maintenance of the Occupied Royal Palaces, Royal Travel and Communications and Information.

The Queen's official expenditure is met from public funds in exchange for the surrender by The Queen of the revenue from the Crown Estate. The Core Sovereign Grant is calculated based on 15% of the income account net surplus of the Crown Estate for the financial year two years previous. The Crown Estate surplus for the financial year 2018-19 amounted to £343.5 million, thereby producing a Core Sovereign Grant of £51.5 million for 2020-21.

The Royal Trustees² agreed that from 2017-18, the Sovereign Grant will be calculated based on 25% of the income account net surplus of the Crown Estate for the financial year two years previous, with the additional 10% to be used to fund the Reservicing of Buckingham Palace over a period of ten years. The additional Sovereign Grant for Reservicing for 2020-21 is £34.4 million and the total Sovereign Grant for 2020-21 is therefore £85.9 million.

Official expenditure met by the total Sovereign Grant in 2020-21 amounted to £87.5 million (2019-20: £69.4 million) an increase of £18.1 million (26%) compared to the previous year. Expenditure on property maintenance of £49.5 million (2019-20: £38.3 million) included £31.6 million expenditure on the Reservicing of Buckingham Palace (2019-20: £16.4 million). In addition, £3.8 million was spent on capital assets (2019-20: £12.2 million), of which £2.5 million (2019-20: £8.2 million) related to Reservicing.

The equivalent of the Sovereign Grant funding less total net expenditure, a deficit of £1.6 million in 2020-21, was transferred from the Sovereign Grant Reserve (2019-20: surplus £13.0 million). The transfer from the Sovereign Grant Reserve to the non-current assets reserve to cover capital expenditure net of depreciation amounted to £0.4 million (2019-20: £9.7 million). These reserve movements are set out on pages 70 and 71.

The Sovereign Grant Reserve of £45.4 million includes £34.6 million to meet future commitments for the Reservicing of Buckingham Palace (2019-20: £40.6 million). Authorised and contracted Reservicing commitments are £113.7 million at 31 March 2021 (2019-20: £114.4 million), set out in Note 14 to the accounts.

The Sovereign Grant for 2021-22 is £86.3 million (Core £51.8 million and Reservicing £34.5 million).

¹ The Occupied Royal Palaces are Buckingham Palace, St James's Palace, Windsor Castle, Hampton Court Mews, Windsor Home Park and parts of Kensington Palace. The Palace of Holyroodhouse is maintained by Historic Environment Scotland.

² The Royal Trustees are the Prime Minister (as First Commissioner of Her Majesty's Treasury), the Chancellor of the Exchequer and the Keeper of the Privy Purse (Civil List Act 1952, Section 10).

THE OFFICIAL DUTIES OF THE QUEEN

The Sovereign's role comprises two distinct elements:

The role of **Head of State**, which is a formal constitutional concept, common to all nations, and involves the official duties which The Queen, by constitutional convention, must fulfil.

The role of **Head of Nation**, a much more symbolic role in the life of the Nation, involving duties which are not directed by the constitution but which The Queen carries out where appropriate or necessary.

Since the United Kingdom has no codified constitution, the role of Monarchy is defined by convention – a non-legal but nevertheless binding rule.

Both of these roles are supported by the Sovereign Grant.

HEAD OF STATE

The Queen is Head of State of the United Kingdom (and fifteen other independent countries¹).

Every country has a Head of State with constitutional and representational duties, often laid down in law. The Queen is no different, though the scope of her duties has generally been defined by constitutional convention rather than by statute.

The Queen is politically impartial and exercises her constitutional powers on the advice of Government ministers. The Royal Household works very closely with a number of Government Departments on a wide range of matters, such as constitutional and legislative affairs, security, travel and ceremonial occasions.

The conditions of the Royal Prerogative² are such that it is difficult to estimate the extent of their provision due to the uncertain nature of the circumstances that might prompt their use (such as a 'hung parliament'). This is also true of The Queen's role as Head of Nation, in which She and the Royal Household must be prepared to react appropriately to unpredictable national events. This requires the institution of Monarchy to be flexible, while maintaining the highest possible standards befitting of The Household of The Head of State.

The Queen's constitutional duties include:

- The State Opening of Parliament.
- The appointment of the Prime Minister.
- The approval of Parliamentary legislation.
- The approval of official appointments.
- The approval of secondary legislation through the Privy Council.
- Representational duties as Head of State paying and receiving State Visits to and from other Heads of States.

¹ Antigua and Barbuda, Australia, Bahamas, Barbados, Belize, Canada, Grenada, Jamaica, New Zealand, Papua New Guinea, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Solomon Islands and Tuvalu.

² Royal Prerogative is the term given to the formal powers of the Crown within the executive process of British politics and which form part of common law.

- Receiving the credentials of foreign Ambassadors.
- Regular confidential Audiences with the Prime Minister.

The Queen is also:

- The Fount of Honour, and all honours are awarded in Her name (although, with notable exceptions, most are awarded on the advice of the Government).
- Head of the Armed Forces.
- Head of the Judiciary.
- Head of the Civil Service.
- Supreme Governor of the Church of England.

In all these roles, The Queen provides a sense of continuity, a focus for loyalty and an assurance of political independence and neutrality for these institutions.

HEAD OF NATION

The Queen's role as Head of Nation is as significant as Her role as Head of State, and can be divided into four key elements – unity and national identity, continuity and stability, achievement and success, and support of service.

Unity and National Identity

The Queen has a significant function as a symbol of national identity, unity and pride. For example, it is as Head of Nation and not as Head of State that The Queen:

- Makes the annual Christmas Broadcast.
- Sends messages of congratulation on national achievements.
- Sends messages of condolence at times of national, international and Commonwealth tragedy.
- Delivers messages of support and encouragement at times of national crisis such as the Covid-19 pandemic.

Continuity and Stability

The Monarchy provides an important sense of continuity and stability at a time of rapid social, cultural and technological change.

The regular rhythm of the Monarchy provides reassurance to many people. This is helped by:

 Recurring traditional events like the State Opening of Parliament, Trooping the Colour, Garter Day, the Royal Maundy Service, Holyrood Week and Royal Ascot Week.

- Anniversaries marked over the course of The Queen's reign Silver, Golden and Diamond Jubilees, Coronation and family anniversaries to which people can relate – Diamond Wedding Anniversary, etc.
- The Queen's impressive personal continuity She has known fourteen Prime Ministers and met twelve of the last fourteen US Presidents.

In this way The Queen and the Monarchy are a stable fixture in many people's lives.

The Covid-19 pandemic, for example, has led to a period of unprecedented change in the life of the Nation. The continued visibility of The Queen and members of the Royal Family during the Covid-19 pandemic has provided many people with a sense of continuity and reassurance at a time when the public has been asked to make fundamental sacrifices and adaptations to the way we live our daily lives.

Achievement and Success

One of the modern Monarchy's principal purposes is to recognise, on behalf of the Nation, achievement, excellence and success in our society. This is not just achieved by the Honours system, but by a more informal range of prizes, awards and events. These include:

Prizes & Awards

- The Queen's Awards for Enterprise and Voluntary Service.
- The Queen's Medal for Music.
- The Queen's Gold Medal for Poetry.
- The Queen's Anniversary Prizes for Higher and Further Education.

Events

- The Queen normally entertains around 139,000 people a year at garden parties, investitures, receptions, dinners and lunches as a way of acknowledging people's achievements and contributions (the impact in 2020-21 of the Covid-19 pandemic is on pages 8-10 and 16-18).
- Themed receptions at Buckingham Palace recognise the achievements and importance of particular sectors and celebrate and promote aspects of British culture.
- Visits in The Queen's programme to places and projects help to acknowledge their success, importance or uniqueness.

Anniversary Messages

In the course of The Queen's reign Her Majesty has sent:

- 293,000 congratulatory telegrams to centenarians on their 100th birthdays.
- 892,000 messages to couples marking their Diamond Wedding anniversaries.

In this unique way the Monarchy can mark these significant milestones in people's lives.

Support of Service

The Queen endeavours to recognise and support the service given by others to the Nation, whether in the voluntary or charitable sector, in public life, in the armed forces or emergency services, and at a national level or in the community.

The Queen has a direct connection to many charities and organisations through her patronages.

The Queen's programme brings contact with all sections of society, at all levels and across the country.

In this role The Queen is greatly assisted by other members of the Royal Family and by the traditional political neutrality of the Monarchy.

THE ROYAL FAMILY

The Queen is supported by the wider Royal Family, particularly in relation to her role as Head of Nation. Their work has become fundamental to the Nation's appreciation of the strengths and functions of the modern-day Monarchy.

Together, members of the Royal Family normally complete almost 3,200 engagements a year across the UK and overseas – many more than The Queen could undertake alone. The activities of the wider Royal Family are vital in bringing the institution of Monarchy into direct and personal contact with all sections of society, including the disadvantaged and the marginalised.

The different generations of the Royal Family help to make the work of the Monarchy relevant or accessible to people at every stage of life.

Members of the Royal Family are supported in undertaking their official engagements by Her Majesty's Lord-Lieutenants, who are responsible for the organisation of all Royal visits to their county and who make sure that The Queen's Private Office is kept informed about local issues relating to their area. Lord-Lieutenants are also responsible for the presentation of decorations where the recipient cannot attend an investiture.

Covid-19 pandemic

The unprecedented changes and challenges posed by the Covid-19 pandemic have led to the development of new, innovative and meaningful ways for The Queen, supported by members of the Royal Family, to lead the Nation through this difficult time. These have included addresses to the Nation, written and recorded messages, virtual visits, telephone and conference calls, and video conferences.

EXPENDITURE FUNDED FROM OTHER SOURCES

Duchy of Lancaster

Income from the Duchy of Lancaster forms part of The Queen's Privy Purse income. The Privy Purse is a historical term used to describe The Queen's private income and it is largely used to meet official expenditure incurred by Her Majesty and other members of the Royal Family which is not met by the Sovereign Grant, and is taxed to the extent that the income is not used for official purposes. Accounts for the Duchy of Lancaster are presented to both Houses of Parliament annually, copies of which are available online at www.duchyoflancaster.co.uk.

Duchy of Cornwall

Income from the Duchy of Cornwall funds the private and official expenditure of The Prince of Wales and The Duchess of Cornwall and is taxed to the extent it is not used to meet official expenditure. The Prince of Wales also meets the official expenditure of The Duke and Duchess of Cambridge out of this income. Accounts for the Duchy of Cornwall are presented to both Houses of Parliament annually, copies of which are available online at www.duchyofcornwall.org.

The Royal Collection

The Royal Collection 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 of maintaining the Royal Collection are met by The Royal Collection Trust, a registered charity, from visitor admissions to the Occupied Royal Palaces and related activities. The Royal Collection Trust receives no funding from the Government. Just under 0.6 million people saw items from the Royal Collection in royal palaces during 2020-21 (2019-20: 7.9 million) and normally many more people would see items from the Royal Collection on loan to museums and galleries around the world, but the closure of the Occupied and Unoccupied Royal Palaces and many museums and galleries around the World during the Covid-19 pandemic greatly reduced physical access during the year. An annual report is published by The Royal Collection Trust, copies of which are available online at www.rct.uk.

Further information is available online at www.royal.uk

PERFORMANCE REPORT

MANAGING THE ROYAL HOUSEHOLD

The role of the Royal Household is to provide exceptional support and service to The Queen, helping her to serve the Nation, and her people, in the best possible way. Continuing improvement is an important part of the Royal Household's operating approach, and it operates in a business-like 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 Royal Household are to:

- 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 / influence all Royal Households.
- Maintain and make accessible the Official Residences and the Royal Collection.
- Continue to develop a diverse team of well-led, trained, motivated and adaptable professionals.
- Ensure best value from our financial resources.
- Ensure business process / infrastructure provides the best possible support and continues to develop.
- Operate in a sustainable way, to minimise the Royal Household's impact on the environment.

OVERVIEW OF THE YEAR

The year ended 31 March 2021 was dominated by the impact of the Covid-19 pandemic. No large scale events were possible. However, many "virtual" public engagements took place and a substantial programme of property projects and maintenance was carried out. The Buckingham Palace Reservicing programme continued apace, made possible by the absence of events and no summer opening of Buckingham Palace. Further analysis is provided below.

INCOME GENERATION

The Covid-19 pandemic will have an impact on the finances of the Sovereign Grant for a number of years. The Sovereign Grant is set with reference to the results of the Crown Estate, as set out on page 2. Consequently, whilst the Grant cannot go down, future growth is not guaranteed and the Covid-19 pandemic will doubtless have an impact on the results of the Crown Estate in the short term.

In addition, around one third of total income used to support Her Majesty's official duties and the core maintenance of the Occupied Royal Palaces is usually earned from sources other than the Sovereign Grant itself. The largest source of income comes from The Royal Collection Trust, which receives no public funding and relies on visitor admissions and related activities for its income. The enforced closure of the Occupied Royal Palaces as a result of the Covid-19 pandemic has temporarily removed its main source of income and the recovery in income is likely to be gradual following the re-opening of the Palaces in May 2021.

The facilities management charge to The Royal Collection Trust for use of the Palaces to carry out its activities is a valuable commercial revenue stream that supplements the public money provided through the Sovereign Grant in support of the official duties of The Queen (£7.3 million in 2019-20 i.e. pre-Covid 19-pandemic).

The Royal Collection Trust was eligible to use the Job Retention Scheme (JRS) to claim public funding for furloughed staff during the period that the Occupied Royal Palaces were closed to visitors and were generating no income. However, to support The Royal Collection Trust's survival and subsequent recovery, and thereby protect the income stream supplementing the Sovereign Grant over the longer term, the Lord Chamberlain's Committee agreed, and discussed with HM Treasury, to waive a much reduced facilities management charge due for 2020-21 (£3.8 million) to the extent it matched the value of the JRS that could have been claimed. The impact of this is that no facilities management charge is payable by The Royal Collection Trust in respect of 2020-21.

The Lord Chamberlain's Committee also agreed to waive the facilities management charge due for 2019-20 to the extent it matched the value of the JRS that could have been claimed for March 2020 (£0.2 million) when the Occupied Royal Palaces were first closed to visitors. The remainder of the facilities management charge debt due to the Sovereign Grant in respect of 2019-20 (£6.2 million plus VAT) was settled by The Royal Collection Trust in March 2021.

No concessions have yet been agreed with The Royal Collection Trust for the continued closure of the Occupied Royal Palaces in 2021-22.

Income supplementing the Sovereign Grant amounted to £9.4 million (2019-20: £20.2 million), a decrease of £10.8 million (53%). In addition to the reduction in income from facilities management charges (£7.5 million) recharges and other income decreased by £3.4 million primarily because of the absence of events at the Occupied Royal Palaces and less Property Maintenance work undertaken for The Royal Collection Trust. This reduction was partially offset by the receipt of £2.4 million from the Duke and Duchess of Sussex to reimburse the Sovereign Grant for expenditure incurred on the refurbishment of Frogmore Cottage, most of which is recognised as income in 2020-21 (see Note 1b).

The Royal Household has managed the impact of the reduction in income supplementing the Sovereign Grant through efficiency and cost management savings as well as savings from changes to the programme of activities in 2020-21. This has enabled the Royal Household to increase the Core Sovereign Grant Reserve from £7.1 million to £10.8 million at the end of 2020-21 which will be used to support the return to business as usual in 2021-22 when the Sovereign Grant becomes flat and the income from events and facilities management charges remains well below pre Covid-19 pandemic levels.

PROPERTY MAINTENANCE- CORE

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.

The approach of the Property Section 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 Historic England, and the use of contractors with appropriate experience.
- Programmes of regular checks, tests and inspections.
- Regular independent condition assessments which assist in determining maintenance priorities and monitoring changes in the overall condition of the Occupied Royal Palaces Estate.
- A prioritisation model that ranks required works and projects in accordance with agreed criteria, allowing more informed decision making.
- The operating requirements of the departments of The Queen's Household, the other Royal Households and the other organisations which use the buildings.
- New legislation and regulations as they affect, inter alia, construction, fire precautions, environment, sustainability and Health and Safety.
- A rolling ten-year plan setting out major projects across the Occupied Royal Palaces
 Estate which aligns with the Buckingham Palace Reservicing programme.

All projects with a construction cost of £15,000 or more are individually monitored through the Annual Works Programme showing projected and actual costs, which is updated on a monthly basis. A summary of property maintenance activities undertaken in 2020-21 is given on pages 11-12. All projects over £125,000 are approved through a Business Case process, based on the HM Treasury 5-case model (strategic, economic, commercial, financial and management).

Expenditure on property maintenance from the Core Sovereign Grant (including property capital expenditure, but before any recharges to other funding sources) was £18.6 million in 2020-21, compared with £22.5 million the previous year.

The Royal Household has committed to use over 50% of any increase in the Core Sovereign Grant funding to increase the Annual Works Programme to a level which will contribute to reducing the backlog in essential maintenance and improving the condition of the Occupied Royal Palaces Estate. Since the introduction of the Sovereign Grant in 2012-13, 64% of the increase in the Core Sovereign Grant has been allocated to property maintenance; allowing for inflation, an additional £63.0 million has been allocated to property maintenance in the nine years of the Sovereign Grant.

The increased investment in property maintenance since the introduction of the Sovereign Grant is beginning to reverse the decline in condition in parts of the Occupied Royal Palaces Estate. The latest independent condition assessment survey of the Occupied Royal Palaces Estate highlighted that 47% of the Estate was "below target condition" at the end of 2020 (50% in 2017). Further progress on reversing the decline in the condition of the Estate may slow over the next two to three years due to the financial impact of the Covid-19 pandemic which will reduce the funding available for core property maintenance. Despite the financial challenges over the next three years as a result of lower Core Sovereign Grant funding, continued progress with the Buckingham Palace Reservicing Programme should help to maintain the momentum of improvement in condition.

Major Projects in the Year

In 2020-21 a total of 141 projects over £15,000 in value (2019-20: 184) were carried out across the Estate. Seven of these projects had a construction works spend in excess of £350,000 in the year and collectively accounted for 61% of the total project spend (excluding Buckingham Palace Reservicing) across the whole Estate (2019-20: 9 and 48%), details of which are set out below.

Cyclical External Redecorations (£,2.6m)

The Occupied Royal Palaces have a five yearly cyclical maintenance plan of external building redecorations. The works comprise access equipment hire, repairs, preparation and repainting. (London £1.7m and Windsor £0.9m).

Water Infrastructure Repairs and Replacement, Windsor Castle (£,2.5m this year; £,4.1m net total costs to date)

An earlier phase of the project brought a new water main within the Windsor Castle site boundary. The latest phase has installed a new pipe network (approximately 7 km laid in this year) around the Home Park for the many residents and operations that support the Castle. The works have been specifically designed to have a low impact on the environment, with a large majority of the installation being undertaken using remote tunnelling technology.

North Side Roofing Phase VI, Windsor Castle (£,2.2m this year; £,2.4m total costs to date)

The last and largest phase of the North side roofing programme commenced in 2020-21. This final phase encompasses the roof over the Waterloo Chamber and the associated lantern lights.

Structural Façade Repairs, Kensington Palace (£,0.5m this year; £,0.6m total costs to date)

The brick arched wall of Clock Court, Kensington Palace was separating from the internal walls and floor structure, causing bowing of the external wall and internal structural weaknesses. The project opened up the internal structure to allow repairs and a scaffold provided access for the external works.

Roof Replacement, North Wing, Buckingham Palace (£0.5m)

The asphalt roof of the North Wing had failed in numerous areas and in recent years required an increasing number of emergency patch repairs. Due to the size of the roof and the time required to undertake the works, the Covid-19 lockdown in the Spring and the subsequent cancellation of events, including the Buckingham Palace Summer Opening, made it possible to complete the scheme in a single phase. The works included complete replacement of the asphalt and chimney stack repairs.

Structural Roof Replacement, St. James's Palace (£,0.4m this year, total costs to date £,1.0m)

A flat roof with a reinforced concrete structure had failed, necessitating the removal and replacement of the entire area. A protective scaffold was installed to protect the rest of the structure during the works and extensive vibration monitoring of the State Rooms was undertaken.

PROPERTY MAINTENANCE - BUCKINGHAM PALACE RESERVICING (BPR)

The Palace's electrical cabling, plumbing and heating had not been updated since the 1950s, and a report to HM Treasury in 2017 identified that the building's infrastructure was in urgent need of an overhaul to avoid the very real danger of catastrophic failure leading to fire or flood, and incalculable damage to the building and priceless works of art in the Royal Collection.

A number of options to replace the services throughout the Palace were considered by the Royal Household, in conjunction with HM Treasury. It was concluded that the most cost-effective way to replace the services, and ensure that the Palace is fit for purpose for the next 50 years, would be to undertake a phased programme of works over ten years, starting in 2017 and finishing in 2027.

This programme of works is being undertaken by a separate project team, whilst the ongoing pre-planned preventative maintenance across the Occupied Royal Palaces will continue to be undertaken by the Royal Household Property Section.

The Reservicing programme presents a unique opportunity for innovation and investment in one of the world's most prestigious and iconic historic buildings, preserving it for future generations.

The objectives of the programme are to:

- Replace the ageing core services of the Palace to eliminate the very real risk of fire or flood.
- Ensure that Buckingham Palace remains fit for purpose as the principal residence of The Sovereign.
- Increase and improve the public access to the Palace (including adjustments to improve accessibility) and ensure longevity of such access.
- Support the efficient use of the wider estate.
- Improve the energy efficiency of the Palace.
- Provide value for money and a demonstrable return on investment through the benefits outlined above.

The Reservicing programme is sequenced wing-by-wing, and supplemented by two infrastructure projects, so as to enable the Palace to remain occupied and fully operational, and The Queen's programme to continue to be delivered without interruption. The impact of the Covid-19 pandemic resulted in a programme-wide review of priorities to make best use of fewer events and business as usual activities taking place at the Palace during 2020-21 and the early part of 2021-22. Following a brief pause during the first lockdown in March 2020 to establish safe ways of working during the Covid-19 pandemic, works resumed on site in May 2020 across the site. Further enabling works were approved in the summer to provide additional welfare facilities which comply with social distancing guidelines, allowing the programme to continue to operate at maximum capacity.

In addition to replacing the essential services, the Reservicing programme will deliver other benefits and efficiencies. The operational effectiveness of the Palace will be increased by making the building more energy-efficient and cost-effective. It is planned that by the end of the programme, there will be a significant increase in the number of people visiting the Palace, with an increased focus on education. It will also offer an opportunity for a new generation of construction professionals to work on a historic building through apprenticeships, graduate and other programmes (participants numbering 21, 18 and 13 respectively in 2020-21).

This 10-year programme, at a budgeted total cost of £369 million, is being delivered by the Royal Household using a dedicated Project Management Office (PMO), consisting of both Household staff and external consultants. This team provides leadership, direction and an operational interface during the delivery of the programme. Management of the programme risk has not been transferred to a separate delivery authority, and remains with the Master of the Household as Senior Responsible Owner (SRO) and the Keeper of the Privy Purse as Accounting Officer, both of whom are accountable to HM Treasury and Parliament. The SRO and the Accounting Officer, as members of the Lord Chamberlain's Committee, provide regular reports on the programme's progress and the impact on the Royal Household's operations. HM Treasury will be engaged throughout the programme through attendance at meetings of the Sovereign Grant Audit and Risk Assurance Committee and the independent Programme Challenge Board.

The programme risks are mitigated by the PMO's management of the procurement and construction process, and the programme being delivered in phases. The phased approach also provides the flexibility required to adapt the programme and address the impact of changes, which are inevitable over a programme of this length. These phases are:

- Advanced Works The creation of open plan offices for PMO and Household staff within the Palace to enable the decant of staff from the East Wing, allowing the team to commence the Reservicing in that area. The removal of Vulcanised Indian Rubber (VIR) cabling was included as part of this phase as this cabling was deemed to present the greatest fire risk and therefore early removal was essential. All known VIR cabling has now been removed throughout the Palace (comprising over 3 km). The Advanced Works have been completed.
- High Priority Works The replacement of main plant (boilers, generators, electrical
 panels and water tanks) and elements of primary services distribution have been
 completed. A number of commissioning works remain and these are due to be
 completed in the next financial year.
- Palace Wide Infrastructure The replacement of all primary distribution infrastructure within the basement. Originally planned on a wing-by-wing basis as part of the Reservicing phase, this three-year programme of activities will now see works take place concurrently in the basement areas.
- Reservicing The wing-by-wing replacement of secondary services distribution, fittings and controls through the building to contribute directly to energy efficiencies.

• Operational Improvements – A range of interventions which will improve operational efficiency and support the delivery of benefits which are highlighted in the Business Case approved by HM Treasury.

The Royal Household has established a clear and detailed governance process to allow the continual monitoring of programme risks and to ensure that progress is being achieved according to targets. This is done through an Integrated Assurance Group which regularly reviews the overall governance of the programme. In line with the Government Infrastructure & Projects Authority process, there will be a series of formal Gateway Reviews and Checkpoint audits by independent reviewers. Six Programme Assessment Reviews and four Gateway Reviews have now been completed to inform the Programme Challenge Board.

Major Focus in the Year

During 2020-21 the key areas of work have included:

- The handover of the High Priority Works Programme (subject to certain commissioning works) which included upgrading Buckingham Palace's main plant and installing new water tanks, providing a new Energy Centre and standby power generation, mitigating the risk of fire and flooding and creating the ability to isolate zones, enabling operations to continue throughout the building during future works.
- Completion of the Privy Purse Door ramp in the East Wing, providing step-free access to the front of the Palace, another significant operational improvement.
- Continuation of the East Wing Reservicing including the creation of welfare facilities for contractors in the South Forecourt, to maintain a Covid-19 secure working environment.
- Acceleration of the South Wing Reservicing with early works beginning on site in 2021.
 The East Wing Construction Manager was appointed in October 2020 to lead the main section of the South Wing Reservicing, due to the concurrent activity between both projects and anticipated efficiencies.
- Development of the West Wing Reservicing to deliver operational improvements and key programme deliverables during 2022. In October 2020, a two-stage tender was initiated to identify a suitable main contractor for the project. Enabling works (including surveys, initial asbestos removal and the clearing of light well works) were completed in March 2021.
- Commencement of the Picture Gallery roof replacement works in January 2021.
- Commencement of the Palace Wide Infrastructure works in January 2021.
- Planning and Listed Building Consent for the West Wing, South Wing and Picture Gallery roof.
- Completion of the Windsor temporary store to support the delivery of the programme.

- Continuation of RIBA Stage 4 design for all the Wings, and Stage 5 for the East Wing.
- Planning and sequencing of future works across the programme to take account of the impact of the Covid-19 pandemic whilst ensuring the continuing functioning of the Palace and remaining within budget.

Future Commitments

The business case for the Reservicing of Buckingham Palace, which was approved by HM Treasury, recognised that there would be surplus income over expenditure in the early years of the 10-year Reservicing programme. In the first four years of the programme, Sovereign Grant income allocated to the programme amounted to £130.7 million to meet net expenditure of £81.5 million plus net capital expenditure of £14.6 million, with £34.6 million transferred to the Sovereign Grant Reserve to meet future expenditure (Note 16). As at 31 March 2021 the Royal Household had authorised and contracted commitments of £113.7 million to be met from this reserve. The Sovereign Grant Reserve funds are deposited with the Government Banking Service until required.

PUBLIC ENGAGEMENTS

During the year 1 April 2020 to 31 March 2021, The Queen undertook 113 (2019-20: 296) official engagements.

As a sensible precaution and in line with the UK Government's response to the Covid-19 pandemic, a number of changes were made to The Queen's programme. Her Majesty moved to Windsor Castle in March 2020, and remained there until departing for Balmoral for the summer at the beginning of August, returning to Windsor in October. A Covid-secure Household "bubble" was established to protect The Queen and The Late Duke of Edinburgh and their immediate staff.

Her Majesty continued to hold audiences by telephone and recorded messages for TV and radio broadcast. As far as possible, The Queen and other members of the Royal Family have been using technology to carry out "virtual" engagements as well as conducting a much smaller number of engagements in person.

Highlights of Her Majesty's schedule included:

- In April, The Queen addressed the Nation in response to the Covid-19 pandemic.
- In May, The Queen addressed the Nation to mark the 75th anniversary of VE Day.
- In June, The Queen was present at a Military Ceremony in the Quadrangle of Windsor Castle to mark Her Majesty's Official Birthday.
- In June, The Queen held a virtual meeting with representatives from the Carers Trust, accompanied by The Princess Royal, to mark Carers Week.

- In July, The Queen conferred the honour of Knighthood and invested the late Captain Sir Thomas Moore with the Insignia of a Knight Bachelor.
- In October, The Queen, accompanied by The Duke of Cambridge, visited the Defence Science and Technology Laboratory, Porton Down. Her Majesty toured the facility, meeting members of staff and viewing demonstrations of the work carried out in the laboratories. The Queen also officially opened the new Energetics Analysis Centre.
- In October, The Queen, accompanied by The Countess of Wessex, held a virtual
 meeting with representatives from the International Agency for the Prevention of
 Blindness to mark World Sight Day.
- In November, The Queen attended a commemoration to mark the Centenary of the burial of the Unknown Warrior at Westminster Abbey, and was present during the Ceremony at the Cenotaph on the occasion of Remembrance Day.
- In December, The Queen attended a Carol Concert performed by the Salvation Army in the Quadrangle of Windsor Castle.
- In February, Her Majesty spoke via video link with senior NHS officers responsible for the vaccine deployment programme throughout the United Kingdom.
- In March, The Queen marked British Science Week by holding a virtual meeting with schoolchildren and representatives of science institutions.

TRAVEL

The Sovereign Grant meets the cost of official journeys undertaken by or in support of The Queen and other members of the Royal Family. Travel by The Queen, The Late Duke of Edinburgh, The Prince of Wales and The Duchess of Cornwall and The Duke and Duchess of Cambridge between residences is categorised as official.

Safety, security, 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 visits which is funded by the Sovereign Grant is determined by the Foreign, Commonwealth and Development Office (FCDO), and approved by the Royal Visits Committee according to agreed priorities.

The Royal Visits Committee is a Cabinet Office Committee, chaired by the Permanent Under Secretary of the FCDO and comprising the Private Secretaries to The Queen, The Prince of Wales, The Duke of Cambridge and the Prime Minister, in addition to the Keeper of the Privy Purse, the Chief Executive of the Department for International Trade, the National Security Adviser and the Director of Protocol, FCDO.

Almost 1,470 official engagements were undertaken across the United Kingdom and overseas by members of the Royal Family during the year to 31 March 2021, many virtually (2019-20: almost 3,200). A list of the 5 (2019-20: 37) journeys undertaken by members of the Royal Family and their staff during 2020-21 which had travel costs of £15,000 or more, met from the Sovereign Grant, is available on the Monarchy website at www.royal.uk. The travel costs for overseas tours also include the costs associated with staff undertaking visits in advance in order to plan the tour programmes.

The principal overseas visits undertaken by The Prince of Wales on behalf of The Queen included:

- The Prince of Wales visit to Kuwait to pay condolences on the death of Sheikh Sabah al-Ahmad al-Sabah (£59,000).
- The Prince of Wales and The Duchess of Cornwall Official FCDO visit to Germany (£43,000).
- The Prince of Wales and The Duchess of Cornwall Official FCDO visit to Greece (costs below £15,000)

In addition, The Duke and Duchess of Cambridge undertook a two-day programme of engagements across Great Britain by Royal Train (£48,000).

EVENTS AND HOSPITALITY

The Royal Household, in addition to enabling The Queen to undertake Her Majesty's constitutional duties as Head of State, helps to support The Queen and other members of the Royal Family in fulfilling a programme of tours, garden parties, receptions, investitures and other official entertaining.

In consultation with the Medical Household, Public Health England and UK Government, a number of public events with large numbers of people due to have been attended by The Queen, and other members of the Royal Family was cancelled in 2020-21: the annual Maundy Service at St George's Chapel; all Garden Parties in 2020 and 2021; planned events marking the 75th anniversary of VE Day; Trooping the Colour; the annual Garter service at Windsor Castle. Other events which have been postponed, include Investitures and the planned State Visit by Their Majesties the Emperor and Empress of Japan.

ENVIRONMENTAL SUSTAINABILITY

The Royal Household recognises that its operations and activities have an impact on the environment, including:

- Travel (particularly overseas travel on behalf of the Government).
- Heating and lighting residences.
- Water consumption.
- Waste generation.
- Procurement.

The Royal Household is committed to reducing its environmental impact, further improving its operational efficiency and optimising associated costs by embedding environmental sustainability across its activities and the organisation.

Exceptionally, during 2020-21 the reduction in physical engagements and events at the Occupied Royal Palaces and the move to remote working as a result of the Covid-19 pandemic, has largely driven:

- a 38% decrease in Scope 1 to 3 greenhouse gas emissions, influenced by a 73% decrease in emissions from business travel and a 17% decrease in energy consumption; and
- a 19% reduction in waste generation.

Greenhouse Gas Emissions

Scope 1 and 2 greenhouse gas (GHG) emissions - from heating, lighting and owned/leased vehicles - decreased by 18% during the year. Scope 3 emissions - largely from business travel - decreased by 71% with a much-reduced number of large overseas tours in the year. Overseas tours are determined by the Royal Visits Committee.

GHG Emissions reported as both Location- and Market-based

Illustrating the difference in emissions between applying Market-based emission factors - using zero for electricity from renewable sources, and Location-based emissions factors - using UK grid-average emissions factors; in line with the GHG Protocol Scope 2 reporting guidance:

GHG emissions for reporting purposes are deemed to be Market-based	2021 (tCO ₂ e)	2020 (tCO ₂ e)	% change	2019 (tCO ₂ e)
Scope 1: Natural gas and owned/leased vehicles	2,902	3,544	(18)	3,763
Scope 2: Purchased electricity (non-renewable)	26	28	(7)	24
Total Scope 1 & 2 (Market-based)*	2,928	3,572	(18)	3,787
Scope 2: Purchased electricity (renewable)	816	1,429	(43)	1,276
Total Scope 1 & 2 (Location-based)**	3,744	5,001	(25)	5,063
Scope 3: Business travel	529	1,953	(73)	3,344
Scope 3: Electricity transmission & distribution	72	124	(42)	111
Total Scope 3	601	2,077	(71)	3,455
Total Scope 1 - 3 (Market-based)*	3,529	5,649	(38)	7,242
Total Scope 1 - 3 (Location-based)**	4,345	7,078	(39)	8,518

^{*} GHG emissions for grid electricity calculated according to the Market-based method, supported by contractual arrangements with suppliers for the purchase of renewable electricity.

Applying the Market-based reporting method to electricity purchased - which uses zero for electricity purchased from renewable sources, GHG emissions in 2020-21 decreased by 38%.

All emissions have been calculated using the relevant carbon conversion factors from DEFRA.

^{**} GHG emissions for grid electricity calculated using UK grid-average (Location-based) emissions factors.

Energy Consumption

	2021	2020	%	2019
	kWh(m)	kWh(m)	change	kWh(m)
Gas	14.7	16.5	(11)	17.7
Electricity – National Grid	3.6	5.7	(37)	4.6
Electricity – Combined Heat and Power (CHP)	-	-	-	0.8
Electricity – Hydro-electric Scheme at Romney	0.8	0.7	14	1.0
Lock, Windsor	-			
	19.1	22.9	(17)	24.1

Total energy consumed across the Estate in 2020-21 was 19.1 kWh(m) (2019-20, 22.9 kWh(m)). National Grid electricity is predominantly (97%) purchased from renewable sources

Water

In 2020-21, 0.2 million cubic metres of water from public suppliers was used across the Estate (2019-20: 0.2 million cubic metres).

Waste

In 2020-21 1,486 tonnes of waste was produced across the Household (2019-20: 1,838 tonnes), a 19% decrease. Waste generated and removed by works contractors is not included. The tonnage of waste recycled includes gardens and horse waste from London and Windsor. Recycling ratios have increased at Windsor.

	2021	2020	%	2019
	Tonnage	Tonnage	Change	Tonnage
Waste recycled	1,068	1,310	(18)	1,515
Waste to landfill / incineration	418	528	(21)	632
Total waste	1,486	1,838	(19)	2,147

Environmental Sustainability Governance

During 2020-21, The Royal Household adopted a ninth Household objective, on sustainability: "Operate in a sustainable way, to minimise the Royal Household's impact on the environment"

During 2020-21, the following environmental sustainability governance arrangements have been further embedded in the Royal Household:

- Environmental Steering Group: providing access to guidance, advice and industry
 best-practice from external leaders in this area and chaired by the Keeper of the Privy
 Purse.
- Environment & Sustainability Committee: facilitating coordination of the Household's overall approach to the operational delivery of environmental sustainability.
- Green Champions Network groups: in London, Windsor and at the Palace of Holyroodhouse; providing staff networks and forums for progressing environmental improvement opportunities at a local level.
- Buckingham Palace Reservicing (BPR) Sustainability Working Group: to ensure the sustainability enhancement targets for BPR are tracked and achieved through programme design, works, procurement and operation.
- Sustainability Monitoring & Measurement Working Group: a small group to
 progress consistent collection, collation, assurance and reporting of environmental
 sustainability data and information.

Progress on environmental sustainability during the year included:

- LED lighting installation on the Grand Staircase at Buckingham Palace and the Library at Windsor Castle
- Installation of electric vehicle charging at Kensington Palace, the first phase of a project to install charging points across the Estate
- Replacement of ageing gas boilers with condensing boiler installations across the Estate
- Commenced feasibility study to look at options for upgrading Clarence House heating systems based on low carbon emissions solutions

Sustainable Procurement

The Royal Household is committed to addressing and embedding environmental sustainability within its procurement activities - through the specification of goods and services, supplier selection criteria and contract management - and continues to work across these areas. Organisations applying for Royal Warrants are assessed against both environmental and social criteria and procurement guidance is to consider these aspects within procurement across the Household.

SOCIAL RESPONSIBLITY

The Royal Household is supportive of employees who undertake volunteering and charitable activities, recognising the benefit both to the individual involved and for forging links between the Household and the wider community. Employees can take up to five days paid volunteering leave a year for this purpose.

From 1 August 2020, Royal Household employees who are members of the Stakeholder Pension Scheme moved to a new auto-enrolment pension scheme, the Royal Household Worksave Pension Scheme, which is a Mastertrust scheme. The chosen default fund is the LGIM Future World Multi-Asset Fund which incorporates environmental, social and governance factors in determining the fund's investment strategy. Choosing a default fund where the assets are invested in ethical companies supports the Royal Household's social responsibility aims and helps future-proof the investment portfolio for members.

FIRE, HEALTH AND SAFETY

Fire Safety

The Royal Household's fire safety strategy relies on effective fire prevention, early detection, training, regular fire drills, active and passive fire protection methods and risk management.

Automatic fire detection and alarm systems are installed throughout the Estate and are monitored continuously. The systems are maintained under preventative term contracts and are regularly tested. 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 and automatic fire curtains.

Fire risk assessments and inspections are undertaken on a regular basis, including using independent consultants, with follow-up assessments and inspections by in-house fire safety officers in accordance with the Fire Regulatory Reform Order. External experts, including the Crown Premises' Fire Safety Inspectors, are also used to undertake independent reviews of fire safety systems.

There are always construction related property projects across the Estate which by their very nature increase the risks of fire. These projects, the most significant of which is the Buckingham Palace Reservicing programme, are subject to their own fire risk assessments and

control arrangements. For the Buckingham Palace Reservicing programme there is also a formal monthly Fire Prevention Board, attended by the Crown Premises' Fire Safety Inspectorate to provide external expertise and guidance.

Good working relationships are maintained with the relevant Fire Brigades covering the Occupied Royal Palaces, with regular reviews and updates of Fire Brigade Tactical Plans, site familiarisation visits for local crews, and Fire Brigade exercises conducted on-site – the most recent at Buckingham Palace in October 2020.

Health and Safety

The Royal Household is committed to proactive management of health and safety and is aware of its responsibilities to employees, visitors, residents and contractors. This includes seeking to adopt best practice in all aspects of health and safety including legal compliance, to create a strong safety culture and avoid accidents and cases of work-related ill health.

Responsibility for health and safety rests with managers and employees, supported by Departmental Safety Coordinators and Safety Representatives, a Property Safety Manager and a central Health and Safety team. The central Health and Safety team provide advice and guidance to managers and staff, to bring continual improvement to safeguarding safety and health in the workplace. This includes the provision of relevant training for all staff, specific to their role.

Regular assessments and reviews are made of health and safety risks across the organisation and changes are made to processes and procedures where appropriate. Health and Safety policy documentation, currently aligned to OHSAS 18001, is regularly reviewed with updates and changes brought to the attention of managers and staff as necessary. Proactive consultation with staff is undertaken through regular Health and Safety Committee Meetings.

The Royal Household has implemented an extensive work programme for Covid-19 to safeguard employees, contractors, visitors, customers and others and to ensure that its sites and activities are 'Covid Secure' in line with Government requirements and guidance. Comprehensive control arrangements for working safely with Covid-19 have been implemented across The Royal Household, ranging from enabling and supporting employees and others to work from home, to ensuring that Royal Household sites can be safely accessed by members of the Royal Family, employees, contractors, visitors and others - in line with Government direction and guidance.

INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS (IT&T)

During the year, as a result of the Covid-19 pandemic, there has been much focus on supporting a large proportion of the organisation to successfully work from home.

As well as providing remote working support for over 600 users, there has been organisation-wide deployment of applications such as Microsoft Teams, and a significant rollout of new mobile hardware using the latest methods of secure connectivity. Switchboard resilience has also been increased through the deployment of secure laptops for handling voice calls.

Work continues to move IT&T services to the Cloud, including business-facing applications which support HR, payroll and events management activities.

A new Microsoft Azure infrastructure has been created in preparation for many other services to be moved to the Cloud. For elements of infrastructure remaining on-site, there has been much work in specifying and preparing to move to a new, more resilient machine equipment room, enabled by the Reservicing programme.

A key project to replace a bespoke set of end-of-life database applications with a Cloud-hosted Customer Relationship Management system is underway. A supplier has been selected through a competitive tender process, with scoping and initial phases of configuration completed in early 2021.

INFORMATION ASSURANCE AND MANAGEMENT

The Royal Household maintains the necessary standards of compliance and good practice with the UK General Data Protection Regulation (UK GDPR). All staff receive regular training and awareness to ensure they understand their responsibilities and obligations for the management, protection and security of data. During 2020-21, there were no data breach incidents to report to the Information Commissioner's Office (2019-20: none).

The Royal Household has a security governance and risk management system which covers its business outputs. In regard to Information Assurance and cyber related risks, working groups and linked project teams meet regularly to analyse and review risks and methods of mitigation.

HUMAN RESOURCES

Much of the activity during the year related to HR's crisis response to the Covid-19 pandemic.

Communications: Following the announcement of the lockdown and emergency measures, the HR team adapted swiftly to support managers and employees with a communications plan. This included daily communications to senior managers, regular briefings from the Lord Chamberlain and Lord Chamberlain's Committee and a dedicated Covid-19 intranet resource space. Maintaining the Royal Household Intranet as a critical communications and collaboration tool helped ensure that all employees remained informed and supported, and office based staff could work remotely while retaining a sense of connection with the Household teams working at residences in support of The Queen and members of The Royal Family.

Digital Learning: The learning and development and onboarding programmes were adapted to provide a full digital and virtual offer. This included a significant expansion of digital content, transition of compliance training to an online format, and working with suppliers to move their classroom offer to virtual learning.

Wellbeing and Engagement: Significant efforts were made to expand the quantity and prominence of the wellbeing support and resources available to employees. Articles, webinars, virtual classroom sessions and collaboration opportunities were delivered to support

engagement, mental and social wellbeing, as well as the provision of additional support for physical wellbeing. Small and fast "Pulse" surveys were also launched to provide insight and help inform the Household's ongoing response and actions. Despite the restrictions of the Covid-19 pandemic, the last year has seen activity aimed at increasing the understanding of diversity and inclusion and creating opportunities for staff to share their views. Further detail is set out in the staff report on page 48.

Policy: Throughout the Covid-19 pandemic HR has continued to monitor and adapt employment policies to suit a changing landscape. New and amended policies relating to pay, absence and annual leave were agreed and communicated to managers and employees.

Cost Management: An urgent assessment of ongoing recruitment was conducted, and given pressures on income, a recruitment and pay freeze imposed. Over the past year, recruitment has been undertaken only for business critical staff on a pre-approved business case.

SUPPLIER PAYMENT PERFORMANCE

The Royal Household's performance for paying its suppliers is:

Percentage paid within:	2021	2020
	%	%
• 15 days of receipt of invoice	46	44
• 30 days of receipt of invoice	90	90

The Royal Household's five year performance can be found on page 105.

FUTURE DEVELOPMENTS

Public Engagements and Events

Following the publication of the UK Government, Scottish Parliament, Senedd Cymru/Welsh Parliament and Northern Ireland Assembly plans to exit Covid-19 related restrictions, it is expected that Royal Household business levels in relation to events will begin to return to pre-Covid-19 pandemic levels from October 2021. Although there is a level of uncertainty in the near-term, the expectation is that the scale of the Royal Programme for working members of the Royal Family will gradually return to March 2020 pre-Covid-19 pandemic levels.

Property Maintenance

The Annual Works Programme of the Property Section includes a number of major projects which aim to meet the objectives set out in the Sovereign Grant Framework Agreement with HM Treasury.

Property Section Core Priority Projects (based on condition and risk)

Water Infrastructure Repairs and Replacement, Windsor Castle

The year will see the completion, commissioning, testing and anticipated adoption of the new water network by Thames Water. The next phase to commence in early summer will include the installation of tanks and pumps which will allow water from the new network to be stored before being pressurised and pumped up to the higher parts of the Castle.

New Fire and Irrigation Supply, Windsor Castle

The project will review the supplementary water supply to the Castle fire hydrants and sundry irrigation requirements following the decommissioning of the old waterworks as part of the Water Infrastructure project.

North Side Roofing Phase VI, Windsor Castle

The project will continue to progress on site throughout the year with completion anticipated in March 2022. This project will complete the re-roofing of the North Side of the Castle which commenced in 2013.

Grand Staircase, Buckingham Palace

The project commenced in 2020 enabled by the cancellation of events, including the Buckingham Palace Summer Opening. The entire staircase has been accessed via a full height scaffold allowing repairs and redecoration to the walls and ceilings and the renewal of the high-level lighting. The project is scheduled to complete in July 2021.

Structural Ceiling Remedial Repairs, Estate Wide

Following the completion of the urgent ceiling repairs identified through the detailed inspections in previous years, this phase will complete the less urgent outstanding works at Buckingham Palace and Windsor Castle.

York House, St. James's Palace

The project will replace ageing mechanical and electrical services whilst also repairing the structural defects to the upper floors of the building. The structural works will release usable floor space from a previously low utilised storage area and free up space across the Estate for commercial letting.

Reservicing of Buckingham Palace Projects

Key activities, which will involve a significant drawdown from the Sovereign Grant Reserve, will include:

- Completion of the East Wing project Reservicing works. The project will continue
 into the next financial year to fully complete the East Wing works, including the
 operational improvements in this area.
- Appointment of a West Wing main contractor and delivery of the first phase of the West Wing Reservicing works. A further welfare facility will be constructed in the Garden to allow for additional contractors to deliver this project.
- Completion of the early and enabling works in the South Wing, including asbestos removal. The reservicing works in the South Wing are due to commence in 2022.
- Decant and reservicing of Zone 1 of the Palace Wide Infrastructure project. This
 phase of the programme will include the first phase of the West Wing and the East
 Wing with the installation of temporary services to allow the removal of services within
 the basement trenches.
- Fit-out of the Windsor temporary store. Furthermore, the decant of the South Wing and elements of the West Wing, will be completed.
- The RIBA stage 4 completion and Planning and Listed Building Consent for all wings.

Environmental Sustainability

The Household will continue to implement energy efficiency and reduction initiatives, and waste and recycling improvements, across the Estate. Work also continues to improve other environmental impacts, including water use and seeking to avoid single-use plastic packaging. Collaborating with stakeholders and identifying new initiatives is key to achieving our goals.

Opportunities to further improve energy efficiency will be identified through the better monitoring and targeting achieved by continuing to roll out smart meters. Plant replacement and LED lighting upgrades will continue on a rolling programme. Our Building Management System controls and connectivity continue to be optimised and expanded as we maintain and upgrade our buildings and utility systems, to proactively review energy use and improve energy efficiency.

The Buckingham Palace Reservicing programme is key to delivering many of these improvements, by including consideration and implementation of environmentally efficient techniques and technologies from the design process onwards.

A further roll out of electric vehicle charging points is planned, to ensure there are charging points at all Occupied Royal Palaces by the end of 2021-22.

The introduction of a flexible working framework and the use of video conferencing technology will build on the reduction in carbon emissions from reduced home-to-work and business travel achieved during the Covid-19 pandemic.

Human Resources

Plans for 2021-22 take account of the radical changes that have occurred in the workplace over the past year. The impact of the Covid-19 pandemic on the UK has accelerated the need to assess both our cost base and how the Household can improve further its efficiency.

HR will support departments with workforce planning and analysing the people impacts of structural change or changing requirements. There will be an ongoing emphasis on ensuring progress in relation to diversity, inclusion and talent management. This will include consideration of the long-term impact of the Covid-19 pandemic and changing expectations of the workforce.

The HR team will continue to respond to the complex needs created by the Covid-19 pandemic, ensuring employment policies and practices are adapted to reflect a changing landscape and communications with employees are prioritised.

Going Concern

After making enquiries, approving the Three Year Plan 2021-24, and with confirmation from the Royal Trustees of the amount of the Sovereign Grant for 2021-22, the Lord Chamberlain's Committee has a reasonable expectation that the Sovereign Grant will provide adequate resources to enable The Queen to continue to undertake Her Official Duties for the foreseeable future.

Sir Michael Stevens Keeper of the Privy Purse 11 June 2021

ACCOUNTABILITY REPORT

GOVERNANCE STATEMENT

Scope of Responsibilities

As Accounting Officer, I have responsibility for maintaining a sound system of governance that supports the achievement of the policies, aims and objectives of the Royal Household in areas funded by the Sovereign Grant, 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 Accounting Officer are defined in the Framework Agreement relating to the Sovereign Grant.

The UK Corporate Governance Code (the Code) issued by the Financial Reporting Council is widely acknowledged as representing best practice in governance. Although the Royal Household is not obliged to comply with the requirements of the Code, The Lord Chamberlain's Committee nevertheless supports the principles and provisions set out in the Code, and in so far as the Code provisions are applicable to the circumstances of the organisation, the Royal Household complies with the Code where appropriate. Many areas of our governance, however, are governed by The Sovereign Grant Act 2011, HM Treasury guidance or other government guidance.

Governance framework

Lord Chamberlain's Committee

The leadership of the Royal 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 six non-executive members are collectively referred to as the Lord Chamberlain's Committee.

The Lord Chamberlain's Committee meets formally at least ten times per annum. Its members are set out below:

Lord Chamberlain - The Rt Hon. The Earl Peel (until 31 March 2021)

- The Lord Parker of Minsmere (from 1 April 2021)

Heads of Departments:

• Private Secretary to The Queen - The Rt Hon. Sir Edward Young

Keeper of the Privy Purse
 Sir Michael Stevens

Master of the Household - Vice Admiral Sir Tony Johnstone-Burt

 Comptroller, Lord Chamberlain's - Lt Col. Michael Vernon Office

• Director of the Royal Collection - Mr Tim Knox

Non-executive members:

•	Private Secretary to The Late Duke of Edinburgh	Brigadier Archie Miller-Bakewell
•	Principal Private Secretary to The Prince of Wales and The Duchess of Cornwall	Mr Clive Alderton
•	Private Secretary to The Duke of	Dr Simon Case (until 1 May 2020)
	Cambridge	Mr Jean-Christophe Gray (from 15 February 2021)
•	Private Secretary (Interim) to The Duke of Cambridge	Mr Christian Jones (from 2 June 2020 until 14 February 2021)
•	Private Secretary to The Duchess of Cornwall	Ms Amanda MacManus
•	Private Secretary to The Duchess of Cambridge	Ms Hannah Cockburn-Logie (from 8 June 2020)
•	Chair of the Audit and Risk Assurance Committee	Ms Dawn Austwick (from 16 December 2020 until 1 March 2021)
		Mr John Coombe (from 2 March 2021)

The Lord Chamberlain's duties are not full-time.

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 Lord Chamberlain's Committee sets its agenda with reference to the Royal Household objectives and risk register.

Four of the department heads are responsible for ensuring that department business plans are aligned with the Household's objectives (see page 8).

The Sovereign Grant management accounts and the minutes of the Sovereign Grant Planning Committee are considered at each meeting and the Royal Household Risk Register is reviewed quarterly. The robust processes underlying the production of the management accounts and the review of the risk register provide the Lord Chamberlain's Committee with assurance as to the reliability of the financial position and performance in order to inform decisions which may result in variations to the annual operating plan.

The Keeper of the Privy Purse (as Accounting Officer) delegates authority to the executive members of the Lord Chamberlain's Committee excluding the Director of the Royal Collection, to make decisions and incur expenditure in accordance with internally set delegation limits.

Certain responsibilities are delegated to subsidiary boards and committees with the following remits:

- Sovereign Grant Planning Committee The Sovereign Grant Planning Committee comprises senior management from key operational and strategic sections of all Royal Household departments and includes representatives from The Royal Collection Trust and The Prince of Wales' Household. The Sovereign Grant Planning Committee met 11 times during 2020-21 (2019-20: 11). The activities of the Sovereign Grant Planning Committee include reviewing the monthly Sovereign Grant management accounts, reviewing the Budget and Three-Year Plan (2021-24), monitoring risks and information assurance, monitoring progress on major projects and the allocation of resources to deliver projects on time and on budget, reviewing business cases which have a significant operational impact and require an assessment of the priorities for Sovereign Grant funds and ensuring good internal communications. The Sovereign Grant Planning Committee is chaired by the Deputy Treasurer to The Queen who reports to each meeting of the Lord Chamberlain's Committee
- Security Risk Management Board The Royal Household Security Risk Management Board met once during 2020-21 (2019-20: once) to consider reports from the Information, Personnel and Physical Security Working Groups. The Security Risk Management Board is chaired by the Assistant Private Secretary who reports to the Lord Chamberlain's Committee after each meeting.
- Aviation Safety Review Board The Royal Household Aviation Safety Review Board
 meets annually to consider risks assessed by the Aviation Safety Management Committee
 on Fixed Wing aircraft and Helicopter travel. The Board is chaired by the Head of Royal
 Travel, and comprises senior management from within the Household, including
 representatives from Health and Safety and, by invitation, the participation of external
 contractors.
- The Buckingham Palace Reservicing Programme Executive Board (PEB) The PEB met 12 times during 2020-21 (2019-20: 11). It is the principal programme board which oversees the delivery of the Royal Household's Reservicing programme at Buckingham Palace. The PEB is chaired by the Master of the Household who is the Senior Responsible Owner (SRO) for the Reservicing programme and who, jointly with the Accounting Officer, is responsible for the delivery of the programme to cost, time and specification. Members of the PEB comprise senior management from within the Household, including a representative from The Royal Collection Trust. Mr Paul Lewis is an independent Non-Executive Director with extensive property project management experience, who also sits on this Board.

• The Buckingham Palace Reservicing Programme Challenge Board (PCB) – The PCB meets quarterly (2019-20: quarterly). Its primary responsibility is to provide specialist scrutiny, oversight, advice and guidance to the PEB and the SRO as they work to deliver the Buckingham Palace Reservicing programme. The independent chair of the PCB, Baroness Ford, has experience of managing large property projects. Membership of the PCB includes Mr David Fairbrother, Treasury Officer of Accounts; Dr David Hancock from the Infrastructure and Projects Authority in the Cabinet Office; Mr Stuart Love, Chief Executive of Westminster City Council; Mr Charlie Parker, Chief Executive of the States of Jersey; Mr Paul Lewis, the programme's Non-Executive Director; and Mr Malcolm Reading, an independent heritage buildings consultant, who is also a member of the Royal Household's Audit and Risk Assurance Committee.

The terms of reference for each of the Boards and the Sovereign Grant Planning Committee are reviewed and approved by the Lord Chamberlain's Committee.

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.

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee for the Sovereign Grant is also 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 and Risk Assurance Committee reports to the Lord Chamberlain's Committee after every meeting and provides an overall annual report on the Audit and Risk Assurance Committee's activities and responsibilities. From December 2020, the Chair attends all meetings of the Lord Chamberlain's Committee as a non-executive member. In undertaking its responsibilities, the Audit and Risk Assurance Committee considers reports from both internal and external auditors and management, and makes recommendations to the Lord Chamberlain's Committee.

Meetings of the Audit and Risk Assurance Committee are attended by the Head of Audit Services, the Keeper of the Privy Purse, the Master of the Household, the Deputy Treasurer to The Queen, the Treasury Officer of Accounts and representatives from the National Audit Office on behalf of the Comptroller and Auditor General, who is the external auditor of the Sovereign Grant. Other senior managers in the Royal Household attend when invited by the Committee.

The Audit and Risk Assurance Committee reviews its terms of reference annually and undertakes a formal evaluation of its own performance every three years. The results of the most recent evaluation were considered in November 2019.

Matters dealt with by the Committee include:

- Review and challenge of the actions and judgement of management in relation to the annual accounts.
- Ensuring procedures are in place for assessing and managing fraud, theft and bribery.
- Review of reports from internal and external auditors, and management.
- Review of Public Accounts Committee reports.
- Review of the Governance Statement and the effectiveness of the system of internal control.
- Review of management and internal audit reports on the adequacy of arrangements for contracting in the most economical and efficient manner for the supply of all services, consistent with the appropriate safety and security requirements.
- Review of effectiveness of internal and external audit and agreement of audit plans.
- Monitoring management's responsiveness to internal and external audit findings and the recommendations of other external bodies.
- Review of the Royal Household's risk management and assurance processes.
- Review of specific areas to assess and monitor progress in developing and enhancing internal control (e.g. Buckingham Palace Reservicing programme, property maintenance management, and data protection).

Members of the Lord Chamberlain's Committee and the Audit and Risk Assurance Committee have a broad range of experiences relevant to the Royal Household's activities. The membership of these committees is set out below with the attendance record for the year.

Lord Chamberlain's Committee	Meetings attended	Audit & Risk Assurance Committee	Meetings attended
The Rt Hon. The Earl Peel (Chair)	12/12	Sir David Tweedie (former Chair)	3/3
The Rt Hon. Sir Edward Young	12/12	Ms Dawn Austwick (former Chair)	1/1
Sir Michael Stevens	12/12	Mr John Coombe (Chair)	4/4
Vice Admiral Sir Tony Johnstone- Burt	12/12	Mr Malcolm Reading	4/4
Lt Col. Michael Vernon	12/12	Ms Jacky Wright	4/4
Mr Tim Knox	12/12		
Brigadier Archie Miller-Bakewell	12/12		
Mr Clive Alderton	10/12		

Dr Simon Case	0/1
Mr Christian Jones	7/9
Mr Jean-Christophe Gray	2/2
Ms Amanda MacManus	6/12
Ms Hannah Cockburn-Logie	10/10
Ms Dawn Austwick	2/2
Mr John Coombe	1/1

Members of the Audit and Risk Assurance Committee receive no remuneration in respect of their duties on the Committee. The Chair of the Audit and Risk Assurance Committee is remunerated for services as a non-executive member of the Lord Chamberlain's Committee.

Specialist risk managers in the Royal Household include the Head of Information Assurance, the Director of Property, Head of Risk and Compliance, Head of Royal Travel, the Director of Security Liaison, the Head of IT and Telecoms and the Chief Information Security Officer. These specialists provide advice on the management of risks falling within their areas of responsibility and provide updates to the Sovereign Grant Planning Committee, the Lord Chamberlain's Committee and the Audit and Risk Assurance Committee when required.

The Purpose of the System of Governance

The governance framework comprises the systems and processes, culture and standards by which the activities of the Royal Household are directed and controlled. It enables the Royal Household to monitor the achievement of its strategic objectives and consider whether they have been achieved in a cost effective manner.

Risk management is designed to manage performance and control 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 governance framework 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 HM Treasury guidance.

Monitoring the effectiveness of Governance and internal control

As Accounting Officer, I have responsibility for ensuring the effectiveness of the governance framework. My review of effectiveness is supported by the work of the internal auditors and the senior managers within the Royal Household who have responsibility for the development and maintenance of the governance framework, the Head of Audit Services' annual report and comments made by the external auditors and other qualified professionals in their management letters and reports. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- There is a Royal Household strategic risk register which has been developed with reference
 to the Royal Household's objectives. This is reviewed by the Lord Chamberlain's
 Committee, together with critical operational risks, at least quarterly. The operational risk
 register is reviewed regularly by the Sovereign Grant Planning Committee and
 departmental management teams. The Audit and Risk Assurance Committee reviews both
 risk registers at each meeting.
- The Audit and Risk Assurance 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 and Risk Assurance Committee that is aligned to the risk registers
 and Royal Household objectives. The findings of reviews are reported to the Audit and
 Risk Assurance Committee.
- The Audit and Risk Assurance Committee monitors management's progress with the implementation of agreed internal and external audit recommendations ensuring that management establishes appropriate priorities.
- Assurance on specialist areas such as IT and Physical Security, the Buckingham Palace Reservicing programme, Property Maintenance statutory compliance and Royal Travel safety are provided by 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 Sovereign Grant is facilitated through bimonthly meetings with HM Treasury.
- The Lord Chamberlain's Committee and the Audit and Risk Assurance Committee have examined the assurance received from the work of internal audit, reports received by the respective subsidiary boards and committees and other sources in order to provide additional confirmation that risk is being properly managed throughout the Royal Household.

The Lord Chamberlain's Committee's Performance

The Lord Chamberlain's Committee and the Sovereign Grant Planning Committee are committed to undertaking a review of their effectiveness every three years. The Lord Chamberlain's Committee performed a review in February 2019, which resulted in the decision to include more information on the Royal Household's intranet about the roles of the Lord Chamberlain's Committee and the Sovereign Grant Planning Committee and their membership; to ensure that the Lord Chamberlain's Committee agenda aligns with the changes in the Royal Household risk register; and to improve the timely communication of decisions made at the Lord Chamberlain's Committee. The Sovereign Grant Planning Committee performed a review in November 2019.

Governance Activities during the year

A programme of internal audit work for the twelve month period beginning 1 April 2020 was agreed by the Audit and Risk Assurance Committee at its meeting held on 23 March 2020. The Audit and Risk Assurance Committee reviews internal audit reports at each meeting. At the meetings held in November 2020 and March 2021, the Audit and Risk Assurance Committee reviewed progress reports on internal audit work undertaken during the year, containing the scope and findings of internal audit work undertaken compared to the original plan.

The annual report from the Head of Audit Services objectively examined, evaluated and reported on the control environment within the Sovereign Grant and provided an opinion about the adequacy of the systems and processes in place. In particular, reports were received on General Data Protection Regulation (GDPR) Compliance, IT Controls, Fire Control, and Chauffeurs and Vehicles.

The Head of Audit Services' annual audit opinion on the overall adequacy and effectiveness of the risk management, control and governance processes is "moderate" (defined as "some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control"). Where significant weaknesses were reported, a plan is in place for remediation and progress is closely monitored.

Matters considered by the Audit and Risk Committee to be significant to the 2020-21 financial statements included accruals for Property and Reservicing work, and the disclosure of the accounting treatment of the lump sum received from the Duke and Duchess of Sussex to reimburse the Sovereign Grant for expenditure incurred on the refurbishment of Frogmore Cottage.

Projects

The Lord Chamberlain's Committee has regularly reviewed progress on projects which contribute to the Household's risk management. These projects include the Buckingham Palace Reservicing programme, IT and Telecoms strategy, Energy and Environment review, Royal Communications, Royal Collection Trust finances, Royal Travel safety review, the Property Maintenance 10 Year Plan and the operational consequences of the Covid-19 pandemic.

During the year a Transition Project Group was established to pursue three work streams: Enabling Operations, Cost Management Opportunities, and Efficiencies. This senior management group has provided agile and effective support to the Lord Chamberlain's Committee, in managing the impact of the Covid-19 pandemic on the Royal Household's operations and finances.

Staff

The Lord Chamberlain's Committee reviewed progress with the Household's Diversity and Inclusion strategy, Wellbeing and Engagement strategy, the results of staff pulse surveys, changes in pensions arrangements, and proposals for flexible working.

Cost Allocation

The Royal Household's Treasury Finance Manual sets out the basis for the allocation of costs for services undertaken by Household departments funded by the Sovereign Grant on behalf of The Royal Collection Trust and Other Households. The Audit and Risk Assurance Committee reviewed the Treasury Finance Manual and any changes in cost allocation proposed for 2021-22 and provided assurance to the Lord Chamberlain's Committee as to the reasonableness of any proposed changes.

Accountability Arrangements

Disclosure Policy

The Royal Household requires that all employees adopt and maintain the highest standards of honesty and integrity, in order to safeguard the resources and sensitive information for which they are individually and collectively responsible. Under the provisions of the Public Interest Disclosure Act, the Royal Household has a disclosure procedure in place to enable employees to report any concerns that they may have in respect to qualifying disclosures e.g. concerns relating to suspected fraud, theft, bribery, any other criminal offence, a miscarriage of justice, health and safety at work, or damage to the environment. The Royal Household Disclosure Policy sets out the means by which serious concerns can be appropriately escalated from within the organisation and be brought to the attention of Human Resources, Security Liaison, Audit Services and the Audit and Risk Assurance Committee.

In 2020-21 a member of staff was convicted for a series of thefts at Buckingham Palace, none of which involved Sovereign Grant items.

Concern at Work Policy

This policy works alongside the Disclosure Policy outlined above, encouraging all individuals to raise any concerns that they may have about the conduct of others. The Concern at Work Policy sets out the way in which individuals may do this, and how those concerns will be dealt with.

The Disclosure and Concern at Work policies are accessible to all staff through the Royal Household's intranet site. Searches of the intranet using terms such as whistleblowing will also direct staff to these policies as well as the anti-fraud policy.

Declaration of Interests and Receipt of Gifts and Hospitality

The Royal Household endorses the Nolan Principles of public life and is active in maintaining high standards of conduct in relation to its employees and officials. The fundamental principle that governs the acceptance of gifts and hospitality by employees of the Royal Household is that no gifts, hospitality or services should be accepted from anyone which would, or would appear to, place an employee under any obligation to the donor.

The Royal Household Guidance for Private Secretaries

Approved by the Lord Chamberlain's Committee in May 2020, this Guidance consolidates and clarifies existing Royal Household guidelines and regulations. Its aim is to serve as a cross-Household reference tool on key working practices and procedures, and on the professional and ethical standards expected of all Royal Households who support Her Majesty through the performance of Official Duties. The guidance is regularly reviewed by the Lord Chamberlain's Committee.

Principal Household Risks

The Lord Chamberlain's Committee confirms that it has carried out a robust assessment of the principal and emerging risks faced by the Royal Household. These are shown below:

Operational Risks

Risk: Delays or increased costs in completing the projects set out in the 10-

year property maintenance plan including the Reservicing of

Buckingham Palace.

Impact: An increase in the proportion of the Estate below target condition

and increased risk of failure of facilities.

The Buckingham Palace Reservicing programme is not completed

within 10 years.

The operational risk to the delivery of The Queen's and other

members of the Royal Family's programmes.

Limiting public access to Buckingham Palace and the other Occupied

Royal Palaces.

Principal mitigations: Annual review and update of property maintenance and major

project programme.

Established project management framework and monthly reviews of

all projects by the Property Management Board.

Comprehensive and transparent governance by project boards for

larger projects including the Reservicing of Buckingham Palace.

Regular independent condition assessments for the Estate.

Ongoing review of Buckingham Palace Reservicing Programme to

deliver programme efficiently to cost and time.

Residual risk rating: Medium (2019-20: Medium)

Financial Risks

Risk: Funds are not used for the appropriate purpose.

Impact: Loss of funding for legitimate purposes. Reputational risk with

suppliers, Parliament and the public.

Principal mitigations: Annual budgeting and reforecasting process.

Delegated authority and payment processing controls.

Detailed monthly management accounts review process.

Adherence to guidance in 'Managing Public Money'.

Programme of review by Audit Services.

Adherence to the terms set out in the Finance Manual agreed

annually with HM Treasury.

Residual risk rating: Low (2019-20: Low)

Risk: Lower than projected Sovereign Grant and a reduction in income

supplementing the Sovereign Grant due to the impact of the Covid-

19 pandemic.

Impact: Reduction in Property Maintenance and/or activities supporting the

performance of Her Majesty's Official Duties.

Principal mitigations: Annual budgeting and reforecasting process.

Cost management and efficiency programmes.

Sovereign Grant Reserve.

Residual risk rating: High (2019-20: High)

People Risks

Risk: The Royal Household's culture, policies, leadership and people

practices, fail to provide an inclusive and effective environment where diversity is valued and talented people from all backgrounds thrive, resulting in under performance against the Royal Household's

objectives.

Impact: Adverse impact on the Royal Household's ability to provide effective

support to The Queen and other members of the Royal Family and

to deliver the Royal Household's objectives.

Principal mitigations: The Royal Household aims to be a "best in class" inclusive employer

openly offering a wide range of employment opportunities, attracting, retaining and developing diverse applicants, appointed on

merit.

Feedback exercises to assess recruitment, onboarding and

employment policies and practices.

Capable leadership at all levels promotes a positive and inclusive

working culture with high levels of staff engagement.

The Diversity and Inclusion steering group and grass roots networks create initiatives to underpin progress on representation and the

creation of an inclusive culture.

Workforce planning, supported by learning and development programmes anticipates and delivers both current and future

organisational resourcing needs.

Internal communications throughout the employee experience within the Royal Household support the creation of an inclusive

culture demonstrating the Employer attributes of

Pride in Performance,

a Shared and Unique Purpose,

a Sense of Guardianship,

a Place to Grow,

Pushing Things Forward, and

a Diverse Household.

Residual risk rating: Medium (2019-20: Low)

Travel Risks

Risk: Failure to maintain and operate aircraft utilised by the Royal

Household to the highest safety standards.

Impact: Fatal accident or critical injury of a member of the Royal Family,

member of staff or the general public.

Principal mitigations: Implementation of a robust Air Safety Management System which

covers travel by helicopter and fixed wing aircraft.

Regular external audit of the Air Safety Management System.

Aviation Safety Review Board regularly reviews compliance with the

Air Safety Management System.

Residual risk rating: Low (2019-20: Low)

Health and Safety Risks

Risk: A significant Health and Safety incident or breach results in serious

harm to a member of the Royal Family, a member of staff, supplier,

tenant or guest/visitor.

Impact: Injury, reputational damage, penalties and/or legal action against the

Household or members of staff.

Principal mitigations: Comprehensive and regular reporting to the Lord Chamberlain's

Committee and the Sovereign Grant Planning Committee.

A structured and regularly reviewed programme of Health and Safety risk assessments, control arrangements, training / awareness

and monitoring of compliance.

Continuous promotion of a positive Health and Safety culture

throughout the Household.

In response to the Covid-19 pandemic, a structured 'risk assessment-based' approach has been developed and implemented as required by Government, with staff continuing to work from home as appropriate. Each Royal Household site has one or more individual Covid-19 risk assessments, complemented by departmental/team/ activity-specific risk assessments. A site-specific poster is displayed at sites to evidence that the Government-

prescribed control arrangements have been followed.

Residual risk rating: Medium (2019-20: Medium)

Fire Safety Risks

Risk: A significant fire resulting in serious harm to a member of the Royal

Family, a member of staff, supplier, tenant, guest, visitor or member of the emergency services; and/ or significant damage to one of the Occupied Royal Palaces, another property on the Estate and/or

their contents.

Impact: Injury.

Damage to the Occupied Royal Palaces and/or their contents.

Reputational damage.

Penalties and/or legal action against the Household or members of

staff.

Principal mitigations: A structured and regularly reviewed programme of Fire strategies,

risk assessments, control arrangements, training / awareness and monitoring of compliance. External audits and inspections by the

Crown Premises Fire Inspection Group.

The 10-year property maintenance plan including the Reservicing of

Buckingham Palace.

Regular 'out of hours' fire patrols of the East Wing, Buckingham Palace, enhanced "hot works" permits, gas bottle permits and waste removal are all in place to further reduce the risk of fire during the Reservicing programme. A monthly Fire Prevention Board is

attended by the Crown Inspectorate.

Strong engagement with local Fire Brigades, including regular site familiarisation visits by local crews, and a programme of on-site Fire Brigade joint exercises. The last exercise was held in October 2020.

Comprehensive fire detection and alarm systems across the Estate.

Full-time Fire Safety Teams and 24 hour / 7 day Fire Control Rooms

in London and Windsor.

Promotion of a positive Fire Safety culture throughout the

Household.

Residual risk rating: High (2019-20: High)

As fire risks are increased during major property refurbishments e.g. Reservicing of Buckingham Palace and the re-roofing of Windsor

Castle, the residual risk rating is deemed to be High despite the

mitigations in place.

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Information Risks

Risk: Unauthorised access to Royal Household data.

Reputational damage, penalties and/or legal action against the Impact:

Household or members of staff.

Principal mitigations: A structured programme of training and compliance work, including

mandatory staff training in cyber security and awareness with phishing campaigns and activities to achieve the key requirements

of GDPR.

Promotion of an Information Assurance awareness culture throughout the Household, linking to incident reporting and

investigation procedures.

A reduction in the volume of sensitive data held within Royal

Household IT systems.

Implementation of improvements in cyber defences and regular practices conducted in cyber incident identification, management

and recovery.

Further focus and effort on cyber security; Cyber Security and Resilience Strategy in place, and Chief Information Security Officer

appointed.

The Royal Household IT system continues to hold Cyber Essentials

Plus certification.

Residual risk rating: High (2019-20: Medium)

The increase in residual risk rating is a reflection of the external

threat landscape.

Security risk is not included above as Sovereign Grant expenditure excludes the cost of physical security.

Summary

The challenges presented by the Covid-19 pandemic on the Royal Household's operations were well managed by the business continuity teams supporting the Lord Chamberlain's Committee thereby ensuring that we were rapidly able to put in place measures to protect members of the Royal Family, our staff and contractors. The rapid implementation of an increased and enhanced remote working capability and revised operating protocols for those remaining on site has facilitated the continuation of the programmes of members of the Royal Family, albeit in a different form, and enabled key projects such as the Buckingham Palace Reservicing Programme to continue. The requirement to remain agile in our response to the Covid-19 pandemic's impact on The Queen's programme and the programmes of other members of the Royal Family continues to be at the core of our planning for the coming year.

The financial challenges presented by the closure of the Occupied Royal Palaces to visitors and guests have been addressed through a variety of measures including recruitment and pay freezes, and cost savings from a reduction in activities and events. As a result of these measures and the reimbursement of expenditure on Frogmore Cottage by the Duke and Duchess of Sussex, the Royal Household has been able to offset the impact of a £10.8 million reduction in income supplementing the Sovereign Grant and achieve a £3.7 million increase in the Core Sovereign Grant Reserve at 31 March 2021. The Core Sovereign Grant Reserve will be utilised to support The Queen's Programme and the programmes of other members of the Royal Family over the next two years when income is expected to be lower than pre-Covid 19 pandemic levels.

The subsidiary boards and committees of the Lord Chamberlain's Committee have provided valuable support in the review of risks, projects and business cases to ensure that the Lord Chamberlain's Committee has been well informed when making decisions. The role of the Transition Project Group has been particularly effective in providing support for decisions thereby ensuring that the Royal Household was able to adapt to rapidly changing circumstances throughout the year and conduct its activities in accordance with public health guidelines.

The review as detailed above provides assurance as to the effectiveness of the Royal Household's governance structure and I am satisfied that there have been no governance issues identified during the year that are considered significant in relation to the Royal Household's governance framework. The Lord Chamberlain's Committee and I are therefore satisfied that any opportunities for improvement in governance identified as a consequence of the assurance processes detailed above have been addressed or will be actioned to ensure that the Royal Household continues to maintain the highest standards and makes effective use of its resources in achieving its objectives, whilst managing risks in an appropriate manner.

Sir Michael Stevens Keeper of the Privy Purse 11 June 2021

REMUNERATION AND STAFF REPORT

Executive Remuneration

The salaries of the Lord Chamberlain's Committee are set with reference to Senior Civil Service pay scales.

All Executive members of the Lord Chamberlain's Committee are appointed on permanent contracts and have notice periods of between three and six months. There are no specific provisions for termination payments.

The Rt Hon. The Earl Peel retired as Lord Chamberlain on 31 March 2021 and was succeeded by The Lord Parker of Minsmere from 1 April 2021.

Total remuneration for Executive members of the Lord Chamberlain's Committee who are paid from official expenditure (before the deduction of abatements and other charges in respect of housing), is shown below:

	Total Remuneration		Salary		Pension Payments (to nearest £1,000)	
Year to 31 March (audited)	2021	2020	2021	2020		2020
£'000	100	100	00	00	11	1.1
The Rt Hon. The Earl Peel	100- 105	100- 105	90- 95	90- 95	14	14
Full time equivalent salary			210- 215	210- 215		
The Rt Hon. Sir Edward Young	215- 220	215- 220	190- 195	190- 195	29	29
Sir Michael Stevens	160- 165	160- 165	125- 130	125- 130	33	33
Full time equivalent salary			210- 215	210- 215		
Vice Admiral Sir Tony Johnstone- Burt	170- 175	170- 175	145- 150	145- 150	22	22
Lt Col. Michael Vernon	110- 115	110- 115	95- 100	95- 100	14	14

Sir Michael Stevens' full time equivalent salary includes his remuneration for duties to the Privy Purse, which is not paid for by the Sovereign Grant.

As part of centrally provided risk benefit cover for employees within the defined contribution pension scheme, up to 1.09% of pensionable salary is contributed for death-in-service and income replacement schemes. Vice Admiral Sir Tony Johnstone-Burt was provided with housing for the better performance of his duties and his salary was abated in accordance with a formula agreed with HM Treasury. There are no additional benefits in kind.

All pension payments relate to the defined contribution scheme.

Mr Tim Knox, Director of the Royal Collection, is not included in the above table because he was paid by The Royal Collection Trust.

The Rt Hon. The Earl Peel, The Rt Hon. Sir Edward Young, Sir Michael Stevens and Vice Admiral Sir Tony Johnstone-Burt are trustees of The Royal Collection Trust, but do not receive any remuneration for their services.

The Chair of the Audit and Risk Assurance Committee is a non-Executive member of the Lord Chamberlain's Committee and is remunerated for attendance at its meetings (2020-21: £0-5,000, 2019-20: £nil).

Fair Pay Disclosure

The relationship between the remuneration of the highest paid LCC member and the median remuneration of the rest of the staff is set out below. The median remuneration is the total remuneration of the staff member lying in the middle of the linear distribution of the total staff, excluding the highest paid LCC member. This is based on annualised, full-time equivalent remuneration as at 31 March (before deduction of abatements and other charges in respect of housing). It includes salary but excludes pension contributions and any severance payments.

For all staff paid for in whole or in part by the Sovereign Grant:

As at 31 March (audited)	2021	2020
Remuneration banding for the highest paid LCC member	£210,000-215,000	£210,000-215,000
Median annualised remuneration of all staff (FTE)	£27,727	£27,134
Ratio	7.7	7.8
Remuneration range of all staff (FTE)	£18,567-£245,000 to 250,000	, ,

Staff Report

The Royal Household's employment policies and practices have been developed in support of the achievement of its objectives. They underpin the Household's aims to create an outstanding workplace, promote pride in work, a sense of teamwork, inclusivity, trust and collaboration, a focus on progressive change and continuous improvement, and an engaged and adaptable workforce drawn from a wide cross section of society.

The experience of working for the Royal Household has been articulated in six descriptors or attributes: "A Shared and Unique Purpose", "A Sense of Guardianship", "Pride in Performance", "Pushing things forward", "A Diverse Household" and "A Place to Grow".

Employees are encouraged to develop new skills and to continuously grow and progress their careers. Apprenticeships are encouraged and supported. Talent is recognised, and project work and cross Department projects, such as the Buckingham Palace Reservicing programme, have created opportunities for new skills to be deployed and developed. Focus groups, "team spaces" on the Household intranet, staff consultation sessions and bi-annual as well as smaller, faster pulse surveys also encourage innovation and ideas to be contributed. Managers are expected to seek feedback from their teams and involve them in decision making. A culture of inclusivity, feedback and recognition is developing, with informal and formal recognition schemes, alongside more interactive communications made possible by the intranet.

Alongside management support, social activities and wellbeing programmes are recognised as having a key part to play in creating a healthy and engaged workforce. Counselling and support are provided through the Household's long established employee assistance programme and staff have been trained to be Mental Health First Aiders, as well as provide the statutory first aid required by Health and Safety legislation. Managers are trained to support, mentor and coach their teams and monitor their contribution, evaluating their team's progress through the use of an online Performance Management system. Diversity and Inclusion are valued, all appointments and promotions are on merit, with active consideration given to applicants with disabilities, and support to employees who become disabled to ensure their development and career progression continues. Family Friendly policies, including enhanced paid maternity, parental and shared parental leave as well as fully flexible working enabled by digital workplace technologies support work life balance and more agile working arrangements, which have ensured continued performance and progress made during the enforced remote working over the period of the Covid-19 pandemic.

In early 2020, the LCC endorsed a shift in the Diversity Strategy agreed in 2017-18 to one that actively emphasises the importance of inclusion. Despite the restrictions of the Covid-19 pandemic, the last year has seen activity aimed at increasing the understanding of inclusion and creating opportunities for staff to share their views. As part of International Women's Day employees were encouraged to make gender equality and inclusion pledges. Employee articles have been published on the intranet covering topics such as Lockdown experiences, Pride, Ramadan and Black History Month. The Household recognised National Inclusion Week, with each day focusing on a different theme. In 2021 activity will continue to build awareness. A listening exercise will examine employee experience, along with recruitment and selection process improvements. Revised diversity targets will be proposed and the Diversity and Inclusion action plan will be enhanced. The role of leadership in building an inclusive culture is critical, with leaders focusing particularly on setting the tone, providing visible advocacy for inclusion and ensuring representation of diverse talent.

The Royal Household benchmarks and seeks validation for its employment policies and practices. In recognition of its commitment to employee health and wellbeing, the Royal Household has achieved the Investors in People Health and Wellbeing Best Practice Award.

Staff numbers and costs

Further details of Staff numbers and an analysis of Staff costs can be found in Note 4 on page 82. There have been no claims under the Coronavirus Job Retention Scheme.

Year to 31 March (audited)	2021	2020	2021	2020	2021	2020
	Perma	nent	Fixed cont		Total	
Average number of Full Time Equivalent (FTE) staff paid from the Sovereign Grant	499	498	9	15	508	513
Cost of FTE staff					£m 24.1	£m 24.4
External consultancy spend					0.9	1.1
Agency staff costs (mostly related to Reservicing)					2.6	2.8

There were five exit packages for agreed departures in the year (2019-20: 5) split as follows (paid for by the Sovereign Grant and excluding any element paid for by any other sources of income):

Year to 31 March (audited)	2021	2020
< £10,000	2	1
£10,001 to £25,000	1	1
£25,001 to £50,000	1	2
Above £50,001	1	1
Total no. of exit packages	5	5
Expenditure on exit packages (£'000)	114	138

For all staff paid for in whole or in part by the Sovereign Grant:

As at 31 March (unaudited)	2021	2020	2021	2020	2021	2020
	Me	n	Wor	nen	Total	
Equivalent to Senior Civil Service grades, including members of the Lord Chamberlain's Committee	25	29	9	10	34	39
Other grades	254	261	268	280	522	541
Total number of FTE staff	279	290	277	290	556	580
Membership of The Lord Chamberlain's Committee	10	9	2	2	12	11
Membership of the Sovereign Grant Planning Committee	8	10	8	8	16	18
Average number of days of employee absence due to sickness					3.4	5.8

For the whole Royal Household:

As at 31 December 2020 (unaudited)

Proportion of ethnic minority employees (92.3% data declaration rate)

8.5% 2022 target is 10%.

Sir Michael Stevens Keeper of the Privy Purse 11 June 2021

STATEMENT OF THE KEEPER OF THE PRIVY PURSE'S FINANCIAL RESPONSIBILITIES

The Keeper of the Privy Purse is responsible for ensuring that:

- The administration of the Sovereign Grant fully accords with the accounts direction given by HM Treasury in accordance with the Framework Agreement between the Royal Household and HM Treasury;
- The Sovereign Grant is applied only for the purposes set out in the Framework Agreement between the Royal Household and HM Treasury; and
- The administration of the Sovereign Grant fully accords with *Managing Public Money* and other guidance that may be notified to the Royal Household by HM Treasury.

The Keeper of the Privy Purse is required to submit this Annual report to the Lord Chamberlain and the Treasury Officer of Accounts and is responsible for ensuring that the Sovereign Grant Annual Report and Accounts are prepared on an accruals basis and give a true and fair view of the state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

The Keeper of the Privy Purse is also 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 Framework Agreement, for income
 and expenditure;
- The Sovereign Grant is used economically, efficiently and effectively to secure good value for money, in accordance with propriety and regularity;
- Staff paid from the Sovereign Grant take financial considerations fully into account at all stages in framing, reaching and executing decisions in so far as the Sovereign Grant 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 Sovereign Grant 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 Sovereign Grant 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 Sovereign Grant auditors are aware of that information.

The Keeper of the Privy Purse confirms that this Annual Report and Accounts as a whole is fair, balanced and understandable, and provides the information necessary for assessing the Sovereign Grant's position, performance, business model and strategy. The Keeper of the Privy Purse takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Sir Michael StevensKeeper of the Privy Purse
11 June 2021

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT AND THE ROYAL TRUSTEES

Opinion on financial statements

I certify that I have audited the financial statements of the Sovereign Grant and Sovereign Grant Reserve for the year ended 31 March 2021 under the Sovereign Grant Act 2011. The financial statements comprise: the Statements of Income and Expenditure, Other Comprehensive Income and Expenditure, Financial Position, Cash Flows, Changes in Reserves, Sovereign Grant Reserve and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the Royal Household's affairs in respect of the Sovereign Grant and Sovereign Grant Reserve as at 31 March 2021 and of the Sovereign Grant's total net expenditure for the year then ended;
- have been properly prepared in accordance with the Sovereign Grant Act 2011 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Royal Household in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Regularity Framework	
Authorising legislation	The Sovereign Grant Act 2011
HM Treasury and related authorities	Managing Public Money Framework Agreement relating to the Sovereign Grant

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Royal Household's use of the going concern basis of accounting in the preparation of the financial statements of the Sovereign Grant and Sovereign Grant Reserve is appropriate.

My evaluation of the Royal Household's assessment of the ability to continue to adopt the going concern basis of accounting included understanding how the Royal Household has assessed the resources available to enable The Queen to continue to undertake Her Official Duties, over what period this assessment has been made and why that period has been considered to be appropriate. I make no observations with respect to that assessment. Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the Sovereign Grant and Sovereign Grant Reserve to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Royal Household's reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the statements related to the going concern basis of accounting. My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Sovereign Grant and Sovereign Grant Reserve is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, and areas of particular audit focus which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of my audit of the financial statements as a whole and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks and areas of particular audit focus identified by my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed significant risk of material misstatement arising from fraud in revenue recognition or the presumed significant risk of material misstatement due to management override of controls, where my work has not identified any matters to report.

The areas of focus were discussed with the Audit and Risk Assurance Committee; their report on matters that they considered to be significant to the financial statements is set out on page 37.

Annual Works Programme

Description of risk

The Royal Household has a ten-year plan in order to maintain the Occupied Royal Palaces. Each year, this is broken down to create an Annual Works Programme (AWP) which is accounted for under the Core Sovereign Grant.

There is a significant risk of material misstatement in the accounting of the AWP due to the scale and complexity of the works and the impact the Reservicing programme may have on the processes and controls surrounding other property works by diverting management attention.

Similar to the Reservicing programme, I placed particular focus on:

- the classification between capital and revenue expenditure;
- the valuation of year end accruals which involve management judgement; and
- the auditor's objective under ISA 540 to conclude whether an estimate is reasonable and adequately disclosed in the context of the financial reporting framework in respect of the stage of completion of works.

How the scope of my audit responded to the risk

I have inspected the design of the Royal Household's controls to manage spend relating to Core property projects and capitalise project expenditure where appropriate. I was not able to rely upon these controls and have instead performed additional substantive procedures.

I have undertaken testing of a sample of project expenditure throughout the year to ensure that this was accounted for appropriately.

I have supplemented this work by carrying out a risk-based review of the AWP estimates and commitments to confirm that these are appropriate and supported by evidence.

In order to gain assurance over the classification of in year spend on AWP as either resource or capital expenditure, I selected a risk-based sample and confirmed that items have been classified appropriately within the financial statements.

I have documented and assessed the use of experts supporting management in arriving at the significant estimates within the financial statements. These mainly relate to accruals which are based on the stage of completion of works as at the reporting date.

Key observations

Based on the evidence received I have concluded that no material error exists, and I am content that the Annual Works programme was appropriately recognised in the accounts in 2020-21.

Buckingham Palace Reservicing Programme

Description of risk

The aim of the Reservicing programme is to replace the cabling, plumbing and heating in Buckingham Palace as well as to improve the use of the Palace to ensure the building is protected for future generations and accessibility is improved. It is funded by a separate element of the Sovereign Grant for ten years, beginning in 2017-18. This year the total Sovereign Grant was £85.9 million (£82.4 million in 2019-20), of which £34.4 million was for Reservicing (£33.0 million in 2019-20).

This is a high-profile programme, with increased levels of activity in the latter part of the financial year, so I have recognised a significant risk of material misstatement. There is a risk around the appropriate accounting principles applied and, as the amounts involved over the ten years are significant, I have directed my efforts in this area during the year. I have placed particular focus on the following:

- the classification between capital and revenue expenditure;
- the valuation of year end accruals which involve management judgement; and
- the auditor's objective under International Standard on Auditing (UK) 540 to conclude whether an estimate is reasonable and adequately disclosed in the context of the financial reporting framework in respect of the stage of completion of works.

How the scope of my audit responded to the risk

I have inspected the design and implementation of the Royal Household's controls to manage spend relating to the Reservicing programme. Based on the findings of my work, I am satisfied that the controls relating to the valuation of accruals at 31 March 2021 are working effectively and I have relied on them to gain my assurance. I have not relied upon controls over the capitalisation of in year project expenditure and have performed additional substantive procedures to gain assurance.

I have performed a risk-based review of estimates and commitments in relation to Reservicing, and inspected evidence supporting these. I have documented and assessed the use of experts by management in forming judgements as to the stage of completion of works, including calculation of any associated accruals at the reporting date. As part of this work I have obtained evidence confirming that the experts used are appropriately qualified, have sufficient capability and competence to perform this work to a sufficient standard, and follow an appropriate methodology.

In order to gain assurance over the classification of Reservicing activities as either resource or capital expenditure, I selected a risk-based sample and confirmed that items have been classified appropriately within the financial statements.

Key observations

Based on the evidence received, I have concluded that no material error exists, and I am content that the Reservicing programme is appropriately recognised and disclosed within the 2020-21 financial statements.

Royal Households Group Pension Scheme

Description of risk

The Sovereign Grant has a £0.2 million net pension liability (£0.2 million in 2019-20) in relation to its participation in the Royal Households Group Pension Scheme. This is comprised of gross pension assets of £36.4 million (£31.7 million in 2019-20) and a scheme liability of £36.6 million (£31.9 million in 2019-20).

The scheme liability is a significant estimate where small changes in the underlying assumptions can lead to considerable changes in the value of the liability. The assumptions impacting the valuation of the liability include discount rates, rate of price inflation, future pension increments and life expectancy.

In response, I recognised a significant risk of misstatement with respect to the pension estimate.

How the scope of my audit responded to the risk

I have tested the assets and liabilities of the pension scheme attributable to Sovereign Grant. This included testing the assumptions used in their valuation by benchmarking them against relevant comparator organisations and industry standards. I have also considered whether the notional asset share determined at the date of the last triennial valuation remains appropriate.

I have confirmed that management's experts have used assumptions that fall within industry standard ranges.

I have also looked at the governance arrangements between the employer and the scheme administrator, as well as gaining an understanding of the process in place for setting assumptions in year and the actuarial roll-forward methodology used by the actuary. I have used actuarial experts to support my review of the above, and to challenge the approach adopted by management to confirm that this estimate is reasonable and has been adequately disclosed within the financial statements.

I have agreed the valuation of the Scheme assets to returns provided by Investment Managers and confirmed the appropriate disclosures are in place.

Key observations

I did not identify any errors in relation to the defined benefit liability and I am content that the net liability as at 31 March 2021 and related movements during the year have been appropriately recognised within the financial statements.

Reimbursement by The Duke and Duchess of Sussex for refurbishment costs of Frogmore Cottage

Description of risk

In September 2020, the Sovereign Grant received £2.4m from the Duke and Duchess of Sussex in respect of costs previously met by the Sovereign Grant for the refurbishment of Frogmore Cottage.

I have not identified a significant risk of misstatement with respect to this payment, however I have treated it as a particular area of audit focus due to the public interest in this transaction

How the scope of my audit responded to the risk

I have confirmed the receipt of the reimbursement to bank statements and have reviewed the accounting treatment and disclosures within the annual report and accounts for appropriateness.

Key observations

I am content that the reimbursement has been treated correctly in accordance with financial reporting standards and is appropriately disclosed within the financial statements.

I have reviewed disclosures within the Performance Report relating to this item and have confirmed that these are consistent with the audit work that I have performed.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the financial statements as a whole as follows:

	Sovereign Grant and Sovereign Grant Reserve
Materiality	£859,000
Basis for determining materiality	1% of the 2020-21 Sovereign Grant funding of £85.9 million (2019-20: 1% of the 2019-20 Sovereign Grant funding of £82.4 million)
Rationale for the benchmark applied	I consider it to be the area of principal interest for users as it represents the level of funding provided to the Sovereign Grant.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 65% of overall materiality for the 2020-21 audit (2019-20: 75%). In determining performance materiality, I have considered the uncorrected misstatements identified in the previous period and the potential impact that the Covid-19 pandemic may have on the activities of the Royal Household.

Other Materiality Considerations

As well as quantitative materiality there are certain matters that, by their very nature, would if not corrected influence the decisions of users, for example, any errors reported in the Accountability Report. Assessment of such matters would need to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work in support of my opinion on regularity and evaluating the impact of any irregular transactions, I took into account both quantitative and qualitative aspects that I consider would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Assurance Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £9,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Assurance Committee on disclosure matters that I have identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Assurance Committee would, if adjusted, have reduced net expenditure by £204,500 (net effect of known errors £82,000 and extrapolated errors £122,500).

Audit scope

The scope of my audit was determined by obtaining an understanding of the Royal Household and its environment, including entity wide controls, and assessing the risks of material misstatement.

Other Information

The other information comprises information included in the Performance Report, Accountability Report and Appendices but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. As Accounting Officer, the Keeper of the Privy Purse is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Sovereign Grant Act 2011;
 and
- the information given in the Performance Report, the Accountability Report and the Appendices for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Sovereign Grant and Sovereign Grant Reserve and the Royal Household's environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report, the Accountability Report or the Appendices to the financial statements. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Governance statement

The Listing Rules require me to review the Royal Household's statement in relation to going concern, longer-term viability and that part of the Governance Statement relating to the Royal Household's compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Performance Report and Governance Statement is materially consistent with the financial statements or my knowledge obtained during the audit:

- The Lord Chamberlain's Committee's statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 29;
- The Lord Chamberlain's Committee's explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate set out on page 29;
- The Keeper of the Privy Purse's statement on fair, balanced and understandable set out on page 52;
- The confirmation from the Lord Chamberlain's Committee and Keeper of the Privy Purse that a robust assessment of the emerging and principal risks has occurred set out on pages 39-45;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 36; and
- The section describing the work of the Audit and Risk Assurance Committee set out on pages 33-37.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of the Keeper of the Privy Purse's Financial Responsibilities, the Keeper of the Privy Purse as Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Keeper of the Privy Purse determines is necessary to enable the preparation of the financial statements to be free from material misstatement, whether due to fraud of error.
- assessing the ability of the Sovereign Grant and Sovereign Grant Reserve to continue
 as a going concern, disclosing, as applicable, matters related to going concern and
 using the going concern basis of accounting unless the Keeper of the Privy Purse
 anticipates that the services provided by the Sovereign Grant and Sovereign Grant
 Reserve will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Sovereign Grant Act 2011.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Sovereign Grant and Sovereign Grant Reserve's head
 of internal audit and those charged with governance, including obtaining and
 reviewing supporting documentation relating to the Sovereign Grant and Sovereign
 Grant Reserve's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or noncompliance with laws and regulations including the Sovereign Grant and Sovereign Grant Reserve's controls relating to the Sovereign Grant Act 2011,

Managing Public Money and the Framework Agreement relating to the Sovereign Grant;

- discussing among the engagement team, regarding how and where fraud might occur
 in the financial statements and any potential indicators of fraud. As part of this
 discussion, I identified potential for fraud in the following areas: revenue recognition,
 the posting of unusual journals, potential bias in accounting estimates and transactions
 which are unusual or outside of the normal course of business;
- obtaining an understanding of the Sovereign Grant and Sovereign Grant Reserve's framework of authority as well as other legal and regulatory frameworks that the Royal Household operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations funded by the Sovereign Grant and Sovereign Grant Reserve. The key laws and regulations I considered in this context included the Sovereign Grant Act 2011, Managing Public Money, the Framework Agreement relating to the Sovereign Grant, Employment Law, and tax, health and safety and pension legislation;
- reviewing the accounting policies related to the Sovereign Grant and Sovereign Grant Reserve; and
- using analytical procedures to identify any unusual or unexpected relationships and transactions.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit and Risk Assurance Committee concerning potential litigation or claims;
- reading minutes of meetings of those charged with governance and the Lord Chamberlain's committee and members of the audit team attending all Audit and Risk Assurance Committee meetings;
- confirming that the Sovereign Grant received in 2020-21 has been calculated correctly and in line with the legislation identified above;
- in addressing the risk of fraud through management override of controls, testing the
 appropriateness of journal entries and other adjustments; assessing whether the
 judgements made in making accounting estimates, including the defined pension
 benefit liability and accruals for the Buckingham Palace Reservicing and Annual
 Works Programmes, are indicative of a potential bias; and evaluating the business
 rationale of any significant transactions that are unusual or outside the normal course
 of business; and
- in addressing the risk of fraud in revenue recognition, I have verified that recharged income has been calculated appropriately and recalculated the waiver in respect of the

Facilities Management Charge to The Royal Collection Trust to address the risk of error and management bias within both of these areas.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies 14 June 2021

Comptroller and Auditor General National Audit Office 157-197 Buckingham Palace Road Victoria London SW1W 9SP

FINANCIAL STATEMENTS

STATEMENT OF INCOME AND EXPENDITURE

Year to 31 March		Core	Reservicing	2021	2020
	Note	£m	£m	£m	£m
Funding receivable ¹ :					
Grants		51.5	34.4	85.9	82.4
Income	_				
Property rental income	2	3.4	-	3.4	3.3
Facilities management charges	2	(0.2)	-	(0.2)	7.3
Recharges for functions and other income	2	6.2	-	6.2	9.6
	_	9.4		9.4	20.2
Expenditure					
Payroll costs	2,4	(22.4)	(1.7)	(24.1)	(24.4)
Other staff costs	2,4	(1.1)	(2.2)	(3.3)	(4.5)
Property maintenance	2	(17.9)	(31.6)	(49.5)	(38.3)
Travel	2	(3.2)	-	(3.2)	(5.3)
Utilities	2	(3.2)	-	(3.2)	(3.1)
Housekeeping and hospitality	2	(0.9)	-	(0.9)	(2.6)
Information technology and telecoms	2	(3.4)	(0.3)	(3.7)	(4.2)
Depreciation	2,8	(2.4)	(0.9)	(3.3)	(2.3)
Other	2,3	(3.6)	(2.1)	(5.7)	(4.9)
		(58.1)	(38.8)	(96.9)	(89.6)
Total net expenditure	_	(48.7)	(38.8)	(87.5)	(69.4)
Sovereign Grant funding less net expenditure transferred (from)/to Sovereign Grant Reserve	_	2.8	(4.4)	(1.6)	13.0

The accounting policies are summarised on pages 72 to 79. The Statement of Income and Expenditure presented under Section 2 of the Sovereign Grant Act 2011 should be read in conjunction with the Statement of Other Comprehensive Income and Expenditure, the Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Reserves on pages 67 to 71. The notes on pages 72 to 102 form part of these accounts. The results shown above relate to continuing activities.

¹ In accordance with the Accounts Direction issued by HM Treasury (See Appendix 3 page 106), funding received in respect of the Sovereign Grant (and any draw down from the Sovereign Grant Reserve) is recognised in the Statement of Income and Expenditure in the year.

STATEMENT OF OTHER COMPREHENSIVE INCOME AND EXPENDITURE

Year to 31 March	Note	Core	Reservicing	2021	2020
		£m	£m	£m	£m
Sovereign Grant funding less net expenditure after transfer of (deficit)/surplus (from)/to Sovereign Grant Reserve		-	-	-	_
Actuarial (loss)/gain for the year (Royal Households Group Pension Scheme)	5	(0.3)	-	(0.3)	1.3
Total recognised (losses)/gains relating to the year		(0.3)	-	(0.3)	1.3

STATEMENT OF FINANCIAL POSITION

As at 31 March		2021	2020
	Note	£m	£m
Non-current assets	0	20.4	20.2
Property, plant and equipment	8	30.4	30.3
Intangible assets	7	0.3	-
Total non-current assets		30.7	30.3
Current assets			
Inventories	9	0.5	0.5
Trade and other receivables	10	3.7	15.4
Cash and cash equivalents	11	60.7	49.6
Total current assets	_	64.9	65.5
Total assets		95.6	95.8
Current liabilities	_		
Trade and other payables	12	(17.0)	(15.3)
Non-current liabilities			
Pension scheme liability	5	(0.2)	(0.2)
Total liabilities		(17.2)	(15.5)
Net assets	_	78.4	80.3
Reserves			
Non-current assets reserve		30.7	30.3
Other retained reserve		2.5	2.5
Sovereign Grant reserve		45.4	47.7
Pension scheme reserve		(0.2)	(0.2)
Total reserves		78.4	80.3
	_		

Sir Michael Stevens

Keeper of the Privy Purse 11 June 2021

STATEMENT OF CASH FLOWS

Year to 31 March		2021	2021	2020	2020
Reconciliation of total net expenditure to funding	Note	£m	£m	£m	£m
Total net expenditure	2		(87.5)		(69.4)
Retirement benefits adjustment	5	(0.3)		-	
Depreciation and amortisation	7,8	3.3		2.4	
Decrease/(increase) in receivables	10	11.7		(5.9)	
Increase/(decrease) in payables	12	1.7		(1.8)	
Disposal of assets	8	0.1		0.1	
	_		16.5		(5.2)
Net cash outflow from operating activities		_	(71.0)	_	(74.6)
Cash flows from investing activities					
Capital expenditure	7,8	(3.8)		(12.2)	
Net cash outflow from investing activities	_		(3.8)		(12.2)
Net cash outflow before funding		_	(74.8)	-	(86.8)
Cash flows from financing activities					
Grant funding received		85.9		82.4	
Net cash inflow from financing activities	_		85.9		82.4
Net increase/(decrease) in cash and cash	11	_	11.1	=	(4.4)
equivalents		=		=	
Reconciliation of cash and cash equivalents			2021		2020
•			£m		£,m
As at 1 April			49.6		54.0
Net increase/(decrease)			11.1		(4.4)
As at 31 March		_	60.7	_	49.6

STATEMENT OF CHANGES IN RESERVES

	Non- current assets reserve	Other retained reserve	Sovereign Grant reserve	Pension scheme reserve	Total reserves
	£m	£m	£m	£m	£m
As at 1 April 2020	30.3	2.5	47.7	(0.2)	80.3
Actuarial loss on RH Group Pension Scheme	-	-	-	(0.3)	(0.3)
Sovereign Grant funding less net expenditure transferred from Sovereign Grant Reserve	-	-	(1.6)	-	(1.6)
Transfers between reserves	0.4	<u> </u>	(0.7)	0.3	
As at 31 March 2021	30.7	2.5	45.4	(0.2)	78.4

	Non- current assets reserve	Other retained reserve	Sovereign Grant reserve	Pension scheme reserve	Total reserves
	£m	£m	£m	£m	£m
As at 1 April 2019	20.6	2.5	44.4	(1.7)	65.8
Actuarial gain on RH Group Pension Scheme*	-	-	-	1.3	1.3
Sovereign Grant funding less net expenditure transferred to Sovereign Grant Reserve	-	-	13.0	-	13.0
Reserve adjustment*	-	-	0.2	-	0.2
Transfers between reserves	9.7		(9.9)	0.2	
As at 31 March 2020	30.3	2.5	47.7	(0.2)	80.3

^{*}Restatement for immaterial adjustment to the presentation of prior period pension movements between reserves.

SOVEREIGN GRANT RESERVE

Sovereign Grant Reserve	Core £m	Reservicing £m	2021 £m	2020 £m
Balance brought forward	7.1	40.6	47.7	44.4
Transfer to/(from) reserve	2.8	(4.4)	(1.6)	13.0
Reserve adjustment	-	-	-	0.2
Transfer (to)/from pension scheme reserve	(0.3)	-	(0.3)	(0.2)
Transfer (to)/from non-current assets reserve	1.2	(1.6)	(0.4)	(9.7)
Balance carried forward	10.8	34.6	45.4	47.7

The Sovereign Grant Act 2011 provides that a capped reserve fund managed by the Royal Trustees, the Sovereign Grant Reserve, will be established to hold unused funds from the Sovereign Grant. This statement is presented under Section 4 of the Sovereign Grant Act 2011.

If the amount of the Sovereign Grant for a financial year exceeds the audited net relevant expenditure for that year, the surplus will be paid into the Reserve, which may be drawn down in future years as required, with agreement by the Royal Trustees. To ensure that the Grant remains at an appropriate level, if the Reserve exceeds 50% of the Sovereign Grant used in that year, the Royal Trustees may specify a lower future grant amount than would otherwise have been implied by the formula included in the Sovereign Grant Act 2011. This would be done in a way which they expect will result in the adjusted value of the Reserve Fund being about 50% of the audited net relevant expenditure at the end of the year for which the Grant is being calculated. The Reserve at 31 March 2021 meets the criteria for a potential reduction in the future grant. However, this is because the funding for the Buckingham Palace Reservicing in the first four years of the Programme is, as anticipated, in advance of the associated expenditure to be incurred over the ten years of the programme (a total expenditure of £369 million). The current excess Reserve is therefore a matter of timing in the early years of a ten year programme, and the position has begun to reverse in 2020-21, with Reservicing expenditure drawing from the Reserve brought forward, as shown in the table above.

The Sovereign Grant Reserve is held by the Exchequer in accordance with the Framework Agreement with HM Treasury relating to the Sovereign Grant, a copy of which is available on the Monarchy website at www.royal.uk.

Sir Michael Stevens

Keeper of the Privy Purse

11 June 2021

NOTES TO THE ACCOUNTS

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts.

a) Basis of preparation

The accounts are prepared in accordance with the Accounts Direction given by HM Treasury as set out in Appendix 3 (pages 106 to 108) and have been prepared in accordance with applicable accounting standards. The accounts have been prepared on an accruals basis and on a going concern basis.

The financial statements have been prepared in accordance with the 2020-21 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances for the purpose of giving a true and fair view of the Sovereign Grant has been selected. The particular policies adopted by the Sovereign Grant are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

IFRS 13 Fair Value Measurement applies to FReM compliant entities from 2015-16 and HM Treasury have adapted IAS 16 Property, Plant and Equipment in consideration of this change. Overall, these changes would require a number of assets to be held at fair value. In view of the nature of the non-current assets detailed in the accounts, it is not considered appropriate to use this basis and historical cost has been applied, which is in accordance with the Accounts Direction issued by HM Treasury.

IFRS 16 Accounting for Leases came into effect for accounting periods starting after 1 January 2019. The implementation date for entities reporting under the FReM is different and the IFRS will be effective in the Sovereign Grant accounts in the year ending 31 March 2023. IFRS 16 provides a single lessee accounting model, effectively removing the distinction between operating and finance leases. Lessees will recognise right of use assets and corresponding liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. This is a change from the existing treatment as it eliminates most operating lease accounting, in which the annual rental cost is reported in the Statement of Income and Expenditure each year. From implementation, all material long term leases will have an impact on the Statement of Financial Position as well. The Sovereign Grant will apply the simplified transition approach and will not restate the comparative amounts for the year ending 31 March 2022. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease amounts).

A review of the Sovereign Grant leasing arrangements has been performed. Right of use assets to be recognised by 31 March 2023 include cars, the provision, maintenance and storage of the Royal Train and one helicopter (a second helicopter is owned and not leased).

It is estimated that right of use assets of approximately £6.9 million will be recognised by 31 March 2023, with associated lease liabilities of approximately £1.3 million due within one year and £5.6 million falling due after one year. The lease expense will be recognised in the Statement of Income and Expenditure. Financing cash flows will include approximately £1.3 million due to repayment of the principal portion of the lease liabilities which will be classified as cash flows from financing activities.

IFRS 17 Insurance Contracts comes into effect for accounting periods starting after 1 January 2023 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. It is not expected to have an impact on the Sovereign Grant Annual Report and Accounts.

b) Income

The Sovereign Grant – This is recognised annually on a receivable basis, under the terms of the Sovereign Grant Act 2011. The Sovereign Grant Act 2011 states that if the Grant proves greater than required in a given year, the surplus will be paid into a capped reserve fund, the Sovereign Grant Reserve, managed by the Royal Trustees, which may be drawn down in future years as required. In accordance with the Accounts Direction issued by HM Treasury (See Appendix 3 page 106), funding received in respect of the Sovereign Grant (and any draw down from the Sovereign Grant Reserve) is recognised in the Statement of Income and Expenditure in the year in which it is receivable. The Grant is drawn down on a monthly basis over the course of the financial year.

Facilities management charges – Amounts due from The Royal Collection Trust to the Sovereign Grant in respect of services provided in connection with admitting the public to Windsor Castle and Buckingham Palace are recognised in the Statement of Income and Expenditure over the course of the year in which they are earned, when the performance obligations under the contract are complete. Payment in respect of Buckingham Palace is typically received in the Winter of the financial year in which it was earned and is based upon the days open to the public. Payment in respect of Windsor Castle is typically received in the Summer following the financial year in which it was earned and is based upon the number of visitors during the year. As noted in the Performance Report on page 9, facilities management charges have been waived for 2020-21 and there is therefore no income to recognise in these accounts.

Rental income – Rental income for the provision of property to tenants is recognised and received monthly on a straight-line basis over the term of the agreement.

All **other income** is accounted for in the Statement of Income and Expenditure in the year in which it is earned, when performance obligations are complete. Charges for services and events held are made throughout the year, typically with 30 day payment terms.

Any income received in advance of performance is recorded as deferred income in the Statement of Financial Position.

Frogmore Cottage

Frogmore Cottage was the official residence of the Duke and Duchess of Sussex until 31 March 2020, when they stepped back from performing official duties. From 1 April 2020 Frogmore Cottage became the private UK residence of the Duke and Duchess of Sussex, subject to an annual licence to occupy. In addition to commercial rent paid in the first five months of 2020-21, a lump sum of £2.4m was received from the Duke and Duchess of Sussex in September 2020 to re-imburse the Sovereign Grant for expenditure incurred on the refurbishment of Frogmore Cottage. However, not all of the payment received in 2020-21 is recognised as income within this accounting year, as it has been offset against the rental payments due for 2021-22.

Of the cash payments received in 2020-21, the equivalent of 12 months of rental income is recognised in the Income and Expenditure Account for 2020-21, in accordance with the related performance obligation to provide accommodation. This is included within Property rental income.

The licence has been renewed for a further year to 31 March 2022. At 31 March 2021, the equivalent of the rent due under the licence for the year to 31 March 2022 is treated as deferred income under current liabilities in the Statement of Financial Position, and will be released to the Income and Expenditure Account in the year 2021-22 as it is earned and the related performance obligation to provide accommodation is met.

The balance of the cash payments received during 2020-21 is recognised as income in 2020-21, on the basis that a licence to occupy does not extend beyond 31 March 2022 and there are therefore no enforceable obligations at 31 March 2021. This is included within Recharges for functions and other income.

c) Leases

A review of leases confirmed that the leases which have a material effect on the financial statements are operating leases whereby the lessor retains substantially all the risks and rewards of ownership.

Operating lease payments are recognised as an expense in the Statement of Income and Expenditure on a straight-line basis over the lease term.

Rental receipts are credited to the Statement of Income and Expenditure on a straight-line basis over the period of the agreement. Properties which are all held in right of the Crown are not capitalised within these accounts in accordance with the Accounts Direction issued by HM Treasury (See Appendix 3 page 106).

d) Intangible assets

Intangible assets comprise computer software costing over £5,000 that is not integral to any associated hardware. Following initial recognition at cost, intangible assets are measured at cost at the date of acquisition less any amortisation and any impairment losses.

Amortisation

Intangible assets are amortised on a straight-line basis over their useful lives as follows:

• Information systems software 3 to 5 years

Internally generated intangible assets, including internally generated software, that do not qualify for recognition as an intangible asset under IAS 38 are recognised as an expense in the year in which the expenditure is incurred.

e) Property, plant and equipment

Expenditure over £5,000 (net of recharges) is capitalised, except where the improvements are incidental to general repair and refurbishment work; costs capitalised include related fees and VAT.

Assets under construction are carried at accumulated cost. Depreciation does not commence until the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets held in right of the Crown are not capitalised within these accounts although expenses relating to their use and maintenance are recognised in the Statement of Income and Expenditure.

Heritage Assets

Land and Buildings

The Sovereign Grant is used to maintain the land and buildings that are held by The Queen in trust for the Nation and cannot be sold without the authority of the Department for Digital, Culture, Media and Sport. Owing to the incomparable nature of these properties, it is considered that conventional valuation techniques lack sufficient reliability and that, even if valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the users of the accounts. As a result, no value is reported for these assets in the Statement of Financial Position.

• Expenditure on Major Restoration

The cost of associated major repairs is charged in the Statement of Income and Expenditure in the year in which it is incurred. This includes costs relating to the infrastructure such as electrical and data cabling and pipework associated with heating and drainage systems which are deemed to be part of the fabric of the building.

Where improvements are made to the buildings that are deemed to be on separately identifiable items of plant and equipment or relate to the conversion of bedrooms to offices, they are capitalised respectively as plant and machinery or property improvements within Non-current assets, held at historical cost and depreciated over 10 to 30 years.

• Further information is given in Note 6 to the accounts.

Expenditure on New Buildings

The cost of construction is capitalised as buildings within Non-current assets, held at historical cost and depreciated over 30 years.

Where the cost of constructing a new building is funded by The Royal Collection Trust for shared use with activities funded by the Sovereign Grant, the proportion of the cost attributable to the Sovereign Grant funded activities is capitalised.

Depreciation

Depreciation is charged on a straight-line basis starting in the month following that of capitalisation, at the following rates:

Property Improvements and Infrastructure

•	Automatic fire detection	10 years
•	Fire compartmentation	30 years
•	General building improvements ¹	10-30 years
	Refurbishments (commercial lettings only)	7 years
•	Water mains	30 years

Furnishings and Equipment

•	Furnishings	10 to 20 years
•	Other equipment	3 to 10 years

Plant and Machinery

•	Electrical Plant	10 years
•	Horses	12 years
•	Information technology equipment	3 to 5 years
•	Helicopter operation equipment	5 years
•	Lifts	20 years
•	Motor Vehicles	3 to 10 years
•	Small plant and tools	3 to 10 years

¹ General building improvements includes new buildings and conversion of bedrooms to offices.

f) Impairment of non-current assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in full. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

g) Inventories

Inventories are held at the lower of cost and net realisable value. The cost of wines and spirits is calculated using the average cost method.

h) Financial Instruments

When financial instruments are recognised initially, they are measured at fair value at the inception of the contract.

Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts based upon an assessment of expected credit loss over the lifetime of the debt. At 31 March 2021 no provision for credit losses is required.

• Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand. Most cash is held with the Government Banking Service and the credit risk is therefore assessed as low.

Trade and other payables

Trade and other payables are recognised at the invoiced amount and are subsequently measured at amortised cost.

The carrying values of the above financial instruments are disclosed in the Statement of Financial Position.

i) Pensions

• The Royal Household participates in two pension schemes providing benefits based on final pensionable pay, the Royal Household Pension Scheme and the Royal Households Group Pension Scheme. The assets of the schemes are held separately from those of the Sovereign Grant. Contributions to the schemes are charged to the Statement of Income and Expenditure to reflect the cost of benefits accruing to members so as to spread pension costs over employees' working lives with the Royal Household.

- One of these pension schemes, the Royal Household Pension Scheme, is managed by the Government and the benefits of the scheme are broadly by-analogy to the benefits of the Principal Civil Service Pension Scheme (PCSPS). It is an unfunded scheme and the Consolidated Fund pays as a Standing Service the pension benefits of those Royal Household employees who entered employment before 1 April 2001. The liabilities for this scheme are disclosed within the resource accounts of the Consolidated Fund Account. The Royal Household is unable to identify the share of the underlying assets and liabilities of the scheme attributable to employees funded by the Sovereign Grant (or its equivalent in previous years) on a consistent and reasonable basis and therefore as permitted by IAS 19: Employee Benefits, this scheme is treated as a defined contribution scheme by the Royal Household and the full cost of contributions made in the year is reflected in the Statement of Income and Expenditure.
- IAS 19: Employee Benefits is also applicable to the second scheme, the Royal Households Group Pension Scheme, and accordingly the Statement of Income and Expenditure includes the cost of benefits accruing during the year in respect of current service, the expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time. The actuarial gain/ (loss) recognised in the pension scheme for the year is shown within the Statement of Other Comprehensive Income and Expenditure and the Statement of Financial Position includes the liability in the pension scheme, taking the assets at their year-end bid-values and liabilities at their actuarially calculated discounted values. This scheme was closed to future service accrual from 1 April 2021. From this date members are enrolled in the defined contribution scheme, unless they choose to opt-out.
- The Royal Household also operates a defined contribution pension scheme. The assets
 of the scheme are held separately from those of the Sovereign Grant in an
 independently administered fund. The amount charged to the Statement of Income
 and Expenditure represents the contributions payable to the scheme in respect of the
 year.

Further details of the pension schemes are provided in Note 5 to these accounts.

j) Other employee benefits

Other short term employee benefits comprise holiday pay, which is recognised as an expense over the period in which it accrues.

k) Reserves

The Non-current assets and Other retained Reserves represent funds utilised to fund the acquisition of property, plant and equipment and inventories and which have not been included in the Statement of Income and Expenditure. The acquisition of non-current assets is matched by an equivalent credit from the Sovereign Grant Reserve to the Non-current assets reserve. Depreciation charged over the life of non-current assets is matched by an equivalent credit from the Non-current assets reserve to the Sovereign Grant Reserve.

The Pension scheme Reserve represents the amount of the Royal Households Group Pension scheme deficit at the year end. This will need to be settled from the Sovereign Grant Reserve or future Sovereign Grant funding over time.

The Sovereign Grant Reserve represents unused funds from the Sovereign Grant.

1) Significant judgements, key assumptions and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires the Keeper of the Privy Purse to exercise judgement in applying the Royal Household's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the accounts are disclosed below:

Property, major project accruals

The accruals for work completed on projects in the property annual works programme but not yet billed are calculated on the basis of an estimate of the proportion of the project that has been completed. This proportion is provided by the property management team. Annual works programme project accruals as at 31 March 2021 were £1.7 million (2019-20: £2.7 million).

Buckingham Palace Reservicing Programme accruals

Similarly, the accruals for work completed on the Reservicing programme but not yet billed are calculated on the basis of an estimate of the proportion of the project that has been completed. This proportion is provided by the programme managers. BPR programme accruals as at 31 March 2021 are £6.6 million (2019-20: £1.3 million).

Post-retirement benefits

The pension costs and obligations of the Royal Households Group Pension Scheme are calculated on the basis of a range of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the liabilities. More details on the assumptions used are given in Note 5.

Holiday pay Accrual

The employee holiday year runs from January to December with a maximum carry over of leave from one year to the next of 9 days except where holiday is 'banked,' in which case a maximum of 15 days can be held in the bank at any time to be taken as extended holiday at a later date. The estimated accrual is based on a combination of actual leave entitlement and average carry forward or banked leave.

2. Segmental Analysis

All material revenues are derived from the United Kingdom. All operations funded by the Sovereign Grant are based in the UK and are conducted by four departments of the Royal Household. The departments are: Private Secretary's Office (PSO), Privy Purse and Treasurer's Office (PPTO), Master of the Household's Department (MOH) and Lord Chamberlain's Office (LCO). The operations of these four departments are monitored by the Lord Chamberlain's Committee which makes decisions as to the allocation of funds to each department's activities.

In addition, the Lord Chamberlain's Committee separately monitors the activities of the Buckingham Palace Reservicing programme (BPR) and associated expenditure.

Year to 31 March 2021	PSO	PPTO	MOH	LCO	BPR	Total
	£m	£m	£m	£m	£m	£m
Income						
Property rental income	-	3.4	-	-	-	3.4
Facilities management charges	-	(0.2)	-	-	-	(0.2)
Recharges and other income (Note 15)	0.1	5.6	0.4	0.1	-	6.2
_	0.1	8.8	0.4	0.1	_	9.4
Expenditure						
Payroll costs (Note 4)	(3.6)	(11.2)	(6.4)	(1.2)	(1.7)	(24.1)
Other staff costs (Note 4)	(0.3)	(0.6)	(0.1)	(0.1)	(2.2)	(3.3)
Property maintenance	-	(17.9)	-	-	(31.6)	(49.5)
Travel	-	(3.2)	-	-	-	(3.2)
Utilities	-	(3.2)	-	-	-	(3.2)
Housekeeping and hospitality	-	-	(0.9)	-	-	(0.9)
Information technology and telecoms	-	(3.4)	-	-	(0.3)	(3.7)
Depreciation (Note 8)	-	(2.4)	-	-	(0.9)	(3.3)
Other (Note 3)	(0.4)	(2.8)	(0.3)	(0.1)	(2.1)	(5.7)
	(4.3)	(44.7)	(7.7)	(1.4)	(38.8)	(96.9)
Total net expenditure	(4.2)	(35.9)	(7.3)	(1.3)	(38.8)	(87.5)

The Lord Chamberlain's Committee agreed to waive the facilities management charge due for 2019-20 from Royal Collection Trust to the extent it matched the value of the Job Retention Scheme that could have been claimed for March 2020 (£0.2 million) when the Occupied Royal Palaces were first closed to visitors.

Year to 31 March 2020	PSO	PPTO	MOH	LCO	BPR	Total
	£m	£m	£m	£m	£m	£m
Income						
Property rental income	_	3.2	_	_	0.1	3.3
Facilities management charges	_	7.3	_	_	_	7.3
Recharges and other income (Note 15)	0.3	6.5	2.6	0.2	_	9.6
	0.3	17.0	2.6	0.2	0.1	20.2
Expenditure						
Payroll costs (Note 4)	(4.1)	(11.0)	(6.6)	(1.3)	(1.4)	(24.4)
Other staff costs (Note 4)	(0.2)	(1.2)	(0.3)	(0.2)	(2.6)	(4.5)
Property maintenance	_	(21.9)	_	_	(16.4)	(38.3)
Travel	_	(5.3)	_	_	_	(5.3)
Utilities	_	(3.1)	_	_	_	(3.1)
Housekeeping and hospitality	_	(0.1)	(2.4)	_	(0.1)	(2.6)
Information technology and telecoms	-	(4.2)	-	-	-	(4.2)
Depreciation (Note 8)	-	(2.1)	-	-	(0.2)	(2.3)
Other (Note 3)	(0.4)	(2.8)	(0.9)	(0.2)	(0.6)	(4.9)
_	(4.7)	(51.7)	(10.2)	(1.7)	(21.3)	(89.6)
Total net expenditure	(4.4)	(34.7)	(7.6)	(1.5)	(21.2)	(69.4)

3. Other Expenditure

	2021	2021	2021	2020
	Core	BPR	Total	Total
	£m	£m	£m	£m
Amortisation of software (Note7)	-	-	-	0.1
Equipment purchase and hire	0.5	-	0.5	1.2
Insurance, legal advice and other professional services	1.1	0.2	1.3	1.7
Printing, postage and stationery	0.7	-	0.7	1.1
Covid-19 related expenditure	0.4	1.7	2.1	-
Other	0.9	0.2	1.1	0.8
	3.6	2.1	5.7	4.9

Covid-19 expenditure includes £0.2m to facilitate staff working from home, with most of the remaining balance used to implement and support Covid-safe working conditions for staff and

contractors working on-site, such as facilities to support social distancing and enhanced hygiene measures.

Auditors' remuneration of £75,000 was charged for the year by the National Audit Office (2019-20: £82,600). There were no non-audit fees paid to the auditors (2019-20: nil).

4. Staff Numbers and Costs

Staff Numbers

The average number of full-time equivalent (FTE) staff paid from the Sovereign Grant during the year to 31 March was:

2021	2020 (restated)
1	1
67	74
171	170
186	191
55	54
480	490
28	23
508	513
	1 67 171 186 55 480 28

This excludes the element of staff time paid for from any other sources of income. Where staff work part-time they are recorded according to the proportion of their time devoted to, and paid by, the Sovereign Grant. 9 were on fixed term contracts (2019-20: 15).

A proportion of the costs of staff working on meal preparation is recharged to other income sources. The number of staff shown was previously reduced by this proportion, but is now shown gross. The impact is to increase the Master of the Household's Department comparative number by 25.

The total cost of Royal Household employees (including members of the Lord Chamberlain's Committee) paid from the Sovereign Grant during the year to 31 March was as follows:

Payroll Costs

	Core	BPR	2021	2020
	£m	£m	£m	£m
Salaries	17.8	1.3	19.1	19.0
Temporary staff	0.1	-	0.1	0.4
National insurance	1.8	0.2	2.0	1.9
Pension contributions	2.7	0.2	2.9	3.1
	22.4	1.7	24.1	24.4

Details of the remuneration of members of the Lord Chamberlain's Committee can be found in the Remuneration and Staff Report on page 46.

Other Staff Costs

	Core	BPR	2021	2020
	£m	£m	£m	£m
Agency staff	0.6	2.0	2.6	2.8
Other (including staff travel, training, recruitment)	0.5	0.2	0.7	1.7
	1.1	2.2	3.3	4.5

5. Pension Arrangements

Until 31 March 2002, all full-time permanent employees were entitled to be members of:

- (a) a scheme managed by the Government by-analogy to the Principal Civil Service pension scheme (the Royal Household Pension Scheme); or
- (b) a scheme managed by trustees on behalf of the Royal Household (the Royal Households Group Pension Scheme).

Both pension schemes provide similar pension benefits based on final pay. The Government managed scheme is contributory for employees.

Full-time permanent employees joining post 1 April 2002 are entitled to be members of the Royal Household Defined Contribution Worksave (Mastertrust) Pension Scheme.

Information about the schemes is set out below.

Royal Household Pension Scheme

The scheme is managed by the Government and has terms by-analogy to the Principal Civil Service Pension Scheme, which is also now closed to new members. Eligible employees are those paid from the Sovereign Grant, who were formerly paid from the Civil List who joined the Royal Household prior to 1 April 2001, and employees who transferred from the Department of the Environment or the Property Services Agency when the Royal Household's Property Services section was established and were formerly paid from the Grant-in-aid for the maintenance of the Occupied Royal Palaces. The scheme is an unfunded multi-employer defined benefit scheme in which the Royal Household is unable to identify the share of the underlying assets and liabilities attributable to employees funded by the Sovereign Grant (or its equivalent in previous years) and as permitted by IAS 19: Employee Benefits, this scheme will continue to be accounted for as if it were a defined contribution scheme.

The scheme actuary (Government Actuary's Department) valued the scheme as at 31 March 2019 and updates that valuation for IAS19 annually. The total liabilities of the scheme as at 31 March 2021 of £122.1 million (2019-20: £118.7 million) are disclosed in the resource accounts of the Consolidated Fund Account. The Sovereign Grant funds the employment costs of 34 of the 42 active members of the scheme as at 31 March 2021. Pension contributions are paid directly to the Consolidated Fund and, in turn, pension benefits are paid directly from the Consolidated Fund as a Standing Service on a defined benefit basis. The contribution rate during the year was 21.1% of pensionable pay, reflecting a valuation by the Government Actuary's Department. The contribution rates reflect the cost of pension benefits as they are earned by employees. For 2020-21, employer's contributions of £0.3 million were payable to the scheme (2019-20: £0.3 million). For 2021-22, employer's contributions are expected to be £0.2 million.

Royal Households Group Pension Scheme

All full-time permanent employees who joined before 31 March 2002 and are not members of the Royal Household Pension Scheme were entitled to be members of the Royal Households Group Pension Scheme, which is managed by trustees on behalf of the Royal Household. The Board of Trustees is composed of representatives of both the Royal Household and its employees and pensioners and is legally separate from the Household. Trustees are required by law to act in the best interest of all relevant beneficiaries and are responsible for the investment policy for the assets, plus the day to day administration of the benefits. The scheme provides benefits which are based on final pensionable pay and is non-contributory for employees. Pensionable pay is defined as basic salary. Benefits are also payable on death and following other events such as withdrawing from active service.

Under the plan, employees are entitled to annual pensions on retirement at age 60 of 1/60 of final pensionable salary for each year of service up to 31 March 2007, then 1/70 for service up to 31 March 2019, and then 1/90 for service from 1 April 2019. The scheme closed to future accrual with effect from 1 April 2021, however former active members still maintain their link to future salary increases. From 1 April 2021 members are enrolled in the Royal Household Defined Contribution Worksave (Mastertrust) Pension Scheme, unless they choose to opt-out.

The Royal Households Group Pension Scheme is a defined benefit plan multi-employer scheme, which shares risks between various related parties with each employer being jointly and severally liable for their respective obligations under the scheme. As well as covering eligible employees paid from the Sovereign Grant, the scheme covers those paid by the Privy Purse, The Royal Collection Trust and the Household of the Prince of Wales.

The contribution rate for the scheme is based on triennial valuations undertaken by a qualified independent actuary using the projected unit credit method. The most recent completed valuation was as at 31 December 2017 and showed a deficit of £4.5 million. Of this, £2.2 million was notionally attributable to the Sovereign Grant. The total market value of the assets of the whole scheme was £99.4 million and this value of assets was sufficient to cover 96% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Following this valuation, the Sovereign Grant employer's contribution rate is 30.4% of pensionable salaries in respect of current accrual for its employees (2019-20: 30.4%) from 1 April 2018, plus a lump sum payment of £0.2 million each year for three years from 1 April 2018 to 1 April 2020. It was assumed that these measures, along with investment returns from return-seeking assets, would be sufficient to eliminate the Sovereign Grant share of the past service deficit by 30 November 2020 and meet the current service cost. The next funding valuation, due as at 31 December 2020, is currently underway but the results are not yet available. Progress towards full-funding is being reviewed in the 31 December 2020 valuation, but the results of the valuation and the associated updated contribution schedule is yet to be agreed. In the interim, an additional lump sum payment of £0.2 million was made towards the past service deficit in March 2021.

The results of the latest funding valuation at 31 December 2017 have been used for this disclosure, updated by an independent qualified actuary, to take account of experience over the period since 31 December 2017 changes in market conditions, and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation, and the related current service cost, were measured using the projected unit credit method.

Assumptions used

The principal assumptions used to calculate the liabilities under IAS 19 are:

Actuarial assumptions adopted as at 31 March (% pa)	2021	2020	2019	2018	2017
Discount rate for scheme liabilities	2.1	2.3	2.4	2.6	2.6
Rate of general long-term increase in salaries	4.0	3.3	3.7	3.5	3.6
Rate of price inflation (RPI)	3.2	2.6	3.3	3.1	3.2
Rate of price inflation (CPI)	2.5	1.8	2.2	2.0	2.1
Rate of increase to pensions in payment	3.1	2.5	3.2	3.0	3.1

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions and reflect the nature and term of the scheme's liabilities. An estimate has been made of the impact of Guaranteed Minimum Pension equalisation and has found it to be immaterial, therefore no allowance has been made for this.

Members are assumed to take their maximum cash lump sum at retirement.

The mortality assumptions are based on the recent actual mortality experience of Scheme members and allow for expected future improvements in mortality rates.

Main demographic assumptions adopted as at 31 March (years)	2021	2020	2019	2018	2017
Life expectancy for male currently aged 65	21.5	21.6	21.5	22.6	22.5
Life expectancy for female currently aged 65	23.5	23.5	23.4	24.7	24.6
Life expectancy at 65 for male currently aged 45	22.8	22.9	22.8	24.3	24.2
Life expectancy at 65 for female currently aged 45	25.1	25.1	24.9	26.6	26.5
Transfer take-up: nil for all ages					

Scheme assets are stated at their market values at 31 March 2021.

Reconciliation of funded status to the statement of financial position

As at 31 March	2021	2020	2019	2018	2017
	£m	£m	£m	£m	£m
Fair value of scheme assets	36.4	31.7	33.0	31.0	29.1
Present value of funded defined benefit obligations	(36.6)	(31.9)	(34.7)	(34.1)	(32.6)
Net pension liability recognised on the statement of financial position	(0.2)	(0.2)	(1.7)	(3.1)	(3.5)

There is a net pension liability of £0.2 million as at 31 March 2021. The amount of this net pension liability has a consequential effect on reserves.

Changes to the fair value of scheme assets during the year

As at 31 March	2021	2020
	£m	£m
Fair value of scheme assets as at the beginning of the year	31.7	33.0
Movement in year:		
Contributions by employer	0.6	0.6
Administration costs incurred	(0.1)	(0.1)
Net benefits paid out	(0.8)	(0.8)
	(0.3)	(0.3)
Actual return on scheme assets:		
Interest income on scheme assets	0.7	0.8
Re-measurement gains/(losses) on scheme assets: return on scheme assets in excess of that recognised in net interest	4.3	(1.8)
	5.0	(1.0)
Fair value of scheme assets as at 31 March	36.4	31.7

Fair value by asset class, all quoted in an active market (except cash/net current assets)

As at 31 March	2021	2020	2019
	£m	£m	£m
UK equities	3.3	2.9	3.5
Overseas equities	15.5	11.0	12.0
Fixed interest gilts	2.7	3.6	2.4
Index-linked gilts	9.8	10.7	11.4
Property	3.0	3.0	3.2
Cash/net current assets	2.1	0.5	0.5
	36.4	31.7	33.0

Changes to the present value of the defined benefit obligation during the year As at 31 March 2021 2020 £,m £,m Defined benefit obligations at the beginning of the year 31.9 34.7 Movement in year: Current service cost 0.2 0.3 0.7 Interest expense on defined benefit obligations 0.8 Actuarial (gains)/losses on scheme liabilities arising from: 5.3 changes in financial assumptions (3.0)(0.1)0.1 changes in demographic assumptions Experience (0.6)(0.2)Net benefits paid out (0.8)(0.8)36.6 31.9 Defined benefit obligations as at 31 March Analysis of the defined benefit obligation by membership category As at 31 March 2021 2020 £,m £'n Current employee benefits 12.8 11.7 Deferred member benefits 12.1 9.3 Pensioner member benefits 11.7 10.9

The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the scheme as a whole, the duration is around 20 years.

Total defined benefit obligation

36.6

31.9

Movement in the deficit of the scheme

An analysis of the movement in the deficit of the scheme over the year is as follows:

As at 31 March	2021	2020
	£m	£m
Deficit as at the beginning of the year	(0.2)	(1.7)
Movement in year:		
Amounts (charged)/credited against income and expenditure:		
Contributions by employer	0.6	0.6
Current service cost	(0.2)	(0.3)
Administration costs incurred	(0.1)	(0.1)
Interest expense on defined benefit obligations	(0.7)	(0.8)
Interest income on scheme assets	0.7	0.8
Pension expense recognised in Statement of Income and Expenditure	0.3	0.2
Amounts (charged)/credited against other comprehensive income and expenditure:		
Re-measurement gains/(losses) on scheme assets: return on scheme assets	4.3	(1.8)
in excess of that recognised in net interest		()
Actuarial (losses)/gains due to changes in financial assumptions	(5.3)	3.0
Actuarial gains/(losses) due to changes in demographic assumptions	0.1	(0.1)
Actuarial gains due to liability experience	0.6	0.2
Actuarial (losses)/gains recognised in Statement of Other Comprehensive Income and	(0.3)	1.3
Expenditure	(0.3)	1.5
Deficit as at the end of the year	(0.2)	(0.2)
·		
***	2024	
Year to 31 March	2021	2020
	£m	£m
Cumulative amount of gains recognised in Statement of Other	0.5	0.8
Comprehensive Income and Expenditure		

History of experience gains and losses

	2021	2020	2019	2018	2017
		, .	, .	£m	, .
Experience gains/(losses) on scheme assets	4.3	(1.8)	1.3	1.3	4.8
Experience gains/(losses) on scheme liabilities	0.6	0.2	1.3	(1.2)	0.2

Risks associated with the scheme

The scheme exposes the employers to some risks, the most significant of which are:

Asset volatility - The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit.

The Scheme holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

Changes in bond yields - A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk – A significant proportion of the Scheme's benefit obligations are linked to inflation, and higher inflation leads to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation).

Most of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy - The majority of the Scheme's obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the liabilities.

The trustees insure certain benefits which are payable on death before retirement.

Risk Management

The employers and the trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes investing some of the scheme's assets in asset classes with similar profiles to the scheme's liabilities, with the aim of reducing the volatility of the funding level of the scheme. By investing in assets such as fixed and index-linked gilts, the scheme is partially protected against inflation being higher than expected.

The trustees previously insured certain lump sum benefits which were payable on death of active members before retirement, but this has ceased following closure of the scheme to accrual from 1 April 2021.

Sensitivity to key assumptions

The key assumptions used for IAS 19 are: discount rate, inflation, and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is as follows:

	Change	New
	C	value
	£m	£m
Following a 0.25% decrease in the discount rate, as at 31 March 2021:		
Assets	-	36.4
Defined benefit obligations	(1.9)	(38.5)
(Deficit)	(1.9)	(2.1)
Following a 0.25% increase in the inflation assumption (excluding salary increases), a at 31 March 2021:	7. 5	
Assets	-	36.4
Defined benefit obligations	(1.3)	(37.9)
(Deficit)	(1.3)	(1.5)
Following a one year improvement in life expectancies, as at 31 March 2021:		
Assets	-	36.4
Defined benefit obligations	(1.6)	(38.2)
(Deficit)	(1.6)	(1.8)

Estimate of income and expenditure charge for the coming year

As the plan ceased future accrual from 1 April 2021, no ongoing contributions are expected in the year ending 31 March 2022.

Year to 31 March	2022
	£m
Administration Expenses	0.1
Total estimated pension expense	0.1

Royal Household Defined Contribution (Mastertrust) Pension Scheme

Full-time permanent employees joining from 1 April 2002 were entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme, which is administered by Legal & General. From 1 August 2020 members moved to a new auto-enrolment pension scheme, the Royal Household Worksave Pension Scheme, which is a Mastertrust scheme administered by Legal & General. The scheme is non-contributory for employees and the Royal Household pays contributions into the fund for each employee. The current rate of contribution is 15% of pensionable salary. Benefits are based on contribution levels linked to investment returns over the period to retirement. Employees can, if they wish, make their own contributions up to the HMRC limits. For 2020-21, employer's contributions of £2.1 million were payable to the scheme (2019-20: £2.0 million). For 2021-22, employer's contributions are expected to be £2.1 million.

6. Heritage Assets not recognised in the Balance Sheet

The Sovereign Grant is used to maintain the following properties, collectively referred to as the Estate, for the benefit of future generations:

- 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.

The land and buildings are held by The Queen in trust for the Nation and cannot be sold without the authority of the Secretary of State for Digital, Culture, Media and Sport. The statutory duties of the Secretary of State for Digital, Culture, Media and Sport under section 21 of the Crown Lands Act 1851 are suspended under section 11 of the Sovereign Grant Act 2011, however, the Department for Digital, Culture, Media and Sport retains an interest in ensuring that the Sovereign Grant is being used by the Royal Household to properly maintain the Occupied Royal Palaces. The Estate is 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 Royal Household aims to maintain the Estate in as good a state of repair as is possible within the constraints of available funding. A system is used to record actual condition against target condition for these assets and this is used to determine the priorities for maintenance across the Estate. The ongoing cost of maintenance and upkeep is reported in the Statement of Income and Expenditure in the year in which it is incurred. Where improvements are made to the buildings that are deemed to be capital in nature, they are capitalised as buildings within Non-current assets, held at historical cost and depreciated over 10 to 30 years.

During the past year there have been no acquisitions or disposals of heritage assets.

7. Intangible Assets

	Software £m	AIC £m	Total £m
Cost			
At 1 April 2020	0.7	-	0.7
Transfers	-	-	-
Additions	-	0.3	0.3
Disposals	(0.2)	_	(0.2)
At 31 March 2021	0.5	0.3	0.8
Amortisation			
At 1 April 2020	0.7	_	0.7
Charge for the year	-	-	-
Disposals	(0.2)	_	(0.2)
At 31 March 2021	0.5		0.5
Net book value At 31 March 2021		0.3	0.3
At 1 April 2020		-	

[&]quot;AIC" refers to assets in the course of construction. These assets will be transferred to the relevant category and depreciated from the date of completion.

	Software	AIC	Total
	£m	£m	£m
Cost			
At 1 April 2019	0.7	-	0.7
Transfers	-	-	-
Additions	-	-	-
Disposals	_ _		_
At 31 March 2020	0.7		0.7
Amortisation			
At 1 April 2019	0.6	-	0.6
Charge for the year	0.1	-	0.1
Disposals			-
At 31 March 2020	0.7		0.7
Net book value At 31 March 2020			
	0.1		0.1
At 1 April 2019			0.1

8. Property, Plant and Equipment

	Property				
	Improvements	Furnishings			
	&	&	Plant &		
	Infrastructure	Equipment	Machinery	AIC	Total
	£m	£m	£m	£m	£m
Cost					
At 1 April 2020	27.2	2.2	18.2	2.1	49.7
Transfers	-	-	1.8	(1.8)	-
Additions	1.8	-	0.8	0.9	3.5
Disposals		(0.1)	(1.0)	(0.1)	(1.2)
At 31 March 2021	29.0	2.1	19.8	1.1	52.0
Depreciation					
At 1 April 2020	11.2	1.6	6.6	_	19.4
Charge for the year	0.9	0.1	2.3	-	3.3
Disposals		(0.1)	(1.0)		(1.1)
At 31 March 2021	12.1	1.6	7.9		21.6
Net book value					
At 31 March 2021	16.9	0.5	11.9	1.1	30.4
At 1 April 2020	16.0	0.6	11.6	2.1	30.3

[&]quot;AIC" refers to assets in the course of construction. These assets will be transferred to the relevant category and depreciated from the date of completion.

	Property Improvements & Infrastructure £m	Furnishings & Equipment	Plant & Machinery	AIC £m	Total <i>£</i> ,m
Cost	~	~	~	~	~
At 1 April 2019	25.6	2.3	8.7	1.3	37.9
Transfers	0.8	_	0.4	(1.2)	-
Additions	0.8	0.1	9.3	2.0	12.2
Disposals	-	(0.2)	(0.2)	-	(0.4)
At 31 March 2020	27.2	2.2	18.2	2.1	49.7
Depreciation					
At 1 April 2019	10.3	1.7	5.4	_	17.4
Charge for the year	0.9	0.1	1.3	_	2.3
Disposals		(0.2)	(0.1)		(0.3)
At 31 March 2020	11.2	1.6	6.6	_	19.4
Net book value At 31 March 2020	16.0	0.6	11.6	2.1	30.3
At 1 April 2019	15.3	0.6	3.3	1.3	20.5

9. Inventories

As at 31 March	2021 £m	2020 £m
Wine and spirits	0.4	0.4
Other	0.1	0.1
	0.5	0.5

Wine is held in stock to age. Other Inventories comprises stocks of official gifts, stationery and food.

10. Trade and Other Receivables

As at 31 March	2021 £m	2020 £m
Recharges and other receivables	0.7	3.7
Prepayments and accrued income	3.0	11.7
Total receivables	3.7	15.4

Trade and Other Receivables include £nil (2019-20: £6.4 million) in respect of facilities management charges for Windsor Castle payable by The Royal Collection Trust.

11. Cash and Cash Equivalents

As at 31 March	2021	2020
	£m	£m
Government Banking Service	55.0	44.3
Commercial banks and cash in hand	5.7	5.3
-	60.7	49.6

Cash held in the Exchequer's Government Banking Service account reflects, in the main, the timing difference between the receipt of the first full year's Sovereign Grant funding for the 10 year Buckingham Palace Reservicing programme and the phasing of expenditure on the programme.

12. Current Liabilities: Trade and Other Payables

As at 31 March	2021 £m	2020 £m
Trade payables	3.5	5.7
Rent deposits	0.1	0.1
Taxes and social security	1.0	1.2
Other payables	2.5	1.9
Accruals and deferred income	9.9	6.4
	17.0	15.3

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. It is considered that the carrying amount of trade payables approximates to their fair value.

13. Leasing

Receivables from tenants

The total of future minimum rentals receivable under non-cancellable agreements to occupy are receivable as follows:

	2021	2020
	£m	£m
Within one year	1.5	1.7
Later than one year and not later than five years	0.4	0.4
	1.9	2.1

Obligations payable under operating leases

The total of future minimum lease payments under non-cancellable operating leases are payable as follows:

	2021	2020
	£m	£m
Within one year	1.0	1.1
Later than one year and not later than five years	2.3	2.4
	3.3	3.5

14. Other Commitments

The Royal Household had committed to expenditure, payable as follows:

As at 31 March	Core £m	BPR £m	2021 £m	2020 £m
Within one year	21.2	63.1	84.3	58.3
Later than one year and not later than five years	4.2	50.6	54.8	90.9
	25.4	113.7	139.1	149.2
This expenditure comprises:				
As at 31 March	Core £m	BPR £,m	2021 £m	2020 £m
Other Staff costs – Agency cost contract	~	₽	23	2,***
• Contracted	-	2.2	2.2	1.5
• Authorised	-	2.2	2.2	3.9
Property Maintenance				
• Contracted	10.5	32.3	42.8	37.3
• Authorised	13.2	77.0	90.2	105.2
Royal Train – service contract	0.3	-	0.3	0.3
Helicopter – maintenance contracts	1.4	_	1.4	1.0
	25.4	113.7	139.1	149.2

There were £0.8 million and £5.5 million capital commitments included within Core and BPR contracted commitments respectively (2019-20: BPR £0.3 million) and there were £2.0 million and £6.9 million included within authorised Core and BPR commitments respectively (2019-20: Core £2.2 million, BPR £5.8 million).

15. Related Party Transactions

The Royal Collection Trust, Historic Royal Palaces, the Privy Purse and other Royal Households are regarded as related parties. Material transactions with these related parties during the year are summarised below. None is secured and all are settled in cash.

	2021 £m	2020 £m
Income recovered from:		
The Royal Collection Trust	1.8	13.9
Balance outstanding	0.9	10.2
Privy Purse	0.4	0.7
Balance outstanding	0.1	0.4
Other Royal Households	1.2	1.5
Balance outstanding	0.3	0.8
Historic Royal Palaces	0.1	0.1
Balance outstanding	-	-

Recoveries include management fees charged by the Royal Household for various services including catering, cleaning and the provision of press office, internal audit, security liaison and information systems services.

In addition, recoveries made from The Royal Collection Trust include the Windsor Castle and Buckingham Palace facilities management charges (see Note 10), rent for accommodation, property refurbishment and maintenance services costs, utilities and staff costs.

Recoveries from the Privy Purse include rent for accommodation provided, repairs and maintenance services carried out by the Property Section, sales of plants to the Windsor Farm Shop and staff costs.

Recoveries from other Royal Households include rent for accommodation, property refurbishment and maintenance service costs, utilities and staff costs.

	2021 £m	2020 £m
Expenditure charged by:		
The Royal Collection Trust	(0.1)	-
Balance outstanding	-	-
Privy Purse	(0.3)	(0.5)
Balance outstanding	-	(0.1)
Other Royal Households	(0.4)	(0.2)
Balance outstanding	(0.3)	(0.2)

Charges to the Royal Household include the purchase of horses and the costs of cleaning, accommodation and utilities for official staff whilst at Balmoral and Sandringham.

None of the key staff employed by the Royal Household has undertaken any material transactions with the Sovereign Grant during the year.

The Sovereign Grant Accounts are consolidated within the Financial Statements of HM Treasury, a copy of which can be found on www.hm-treasury.gov.uk.

The Royal Household has had a number of transactions with other government departments as follows:

	2021 £m	2020 £m
Income recovered from:		
Foreign, Commonwealth and Development Office	0.1	0.4
Balance outstanding	-	-
Ministry of Defence	0.1	0.1
Balance outstanding	-	-
Metropolitan Police	-	0.1
Balance outstanding	-	-
The Home Office	-	0.1
Balance outstanding	-	-

Expenditure charged by:

	2021 £m	2020 £m
Foreign, Commonwealth and Development Office	(0.1)	-
Balance outstanding	-	-
Ministry of Defence	(0.2)	(0.9)
Balance outstanding	-	(0.2)

Transactions directly attributable to related parties where an activity has been carried out on their behalf and the cash recovered, are included in the table below, but do not form part of the income and expenditure of the Sovereign Grant. Balances held as agent relate to cash received but not yet spent.

	2021 £m	2020 £m
Cash recovered from:		
The Royal Collection Trust	2.8	3.0
Balance outstanding	0.1	0.2
Privy Purse	0.2	0.4
Balance outstanding	0.2	-
Other Royal Households	0.3	0.7
Balance outstanding	-	0.1
Foreign, Commonwealth and Development Office	0.1	0.1
Balance outstanding	-	-
Cabinet Office	0.9	0.7
Balance outstanding (held as agent)	(1.2)	(1.2)
Department for Digital, Culture, Media & Sport	0.4	0.6
Balance outstanding (held as agent)	-	-

16. Buckingham Palace Reservicing

The amounts relating to Reservicing in the Income and Expenditure account are as follows:

Year to 31 March		2018-21	2021	2020
	Note	cumulative £m	£m	(m
Funding receivable ¹ :	Note	₺111	₺111	£,m
1 unung receivable.				
Grants		130.7	34.4	33.0
Income				
Property rental income	2	0.1	-	0.1
		0.1		0.1
Expenditure				
Payroll costs	2,4	(4.6)	(1.7)	(1.4)
Other staff costs	2,4	(7.2)	(2.2)	(2.6)
Property maintenance	2	(64.9)	(31.6)	(16.4)
Housekeeping and hospitality	2	(0.2)	-	(0.1)
Information technology and telecoms	2	(0.3)	(0.3)	-
Depreciation	2,8	(1.1)	(0.9)	(0.2)
Other	2,3	(3.3)	(2.1)	(0.6)
		(81.6)	(38.8)	(21.3)
Total net expenditure		(81.5)	(38.8)	(21.2)
Sovereign Grant funding less net expenditure transferred (from)/to Sovereign Grant Reserve		49.2	(4.4)	11.8
Capital expenditure incurred net of depreciation		(14.6)		
Reserve carried forward		34.6		

¹ In accordance with the Accounts Direction issued by HM Treasury (See Appendix 3 page 106), funding received in respect of the Sovereign Grant (and any draw down from the Sovereign Grant Reserve) is recognised in the Statement of Income and Expenditure in the year.

17. Issue of Accounts

On 7 June 2021 the financial statements were approved by the Accounting Officer and Audit and Risk Assurance Committee and on 11 June 2021 were approved by the Lord Chamberlain's Committee. The financial statements were authorised for issue on the date of certification by the Comptroller and Auditor General.

18. Events after the reporting period

There have been no significant events after 31 March 2021 that require adjustment to, or disclosure in the financial statements.

APPENDICES (THIS SECTION IS NOT SUBJECT TO AUDIT)

APPENDIX 1: ADDITIONAL NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE

Property maintenance

	2021 £m Core	2021 £m BPR	2021 £m Total	2020 £m Total
Projects				
• Construction	11.3	17.4	28.7	21.3
• Fees	2.1	14.2	16.3	11.0
Reactive maintenance	4.5		4.5	6.0
	17.9	31.6	49.5	38.3
Travel				
			2021 £m Core	2020 £m Core
Air travel				
• Helicopters (includes operating lease payments of £0	.6 million)		2.1	2.4
• Fixed wing (large)			0.1	0.1
• Fixed wing (small)			0.1	1.3
• Scheduled			-	0.6
Rail travel (includes operating lease payments of £0.2 milli	on)		0.7	0.7
Motor vehicles		<u>-</u>	0.2	0.2
		=	3.2	5.3

Utilities

			£m Core	2020 £m Core
Rates and council tax			1.4	1.4
Electricity			0.8	1.0
Gas			0.5	0.5
Water			0.5	0.2
		_	3.2	3.1
Housekeeping and hospitality		_		
	2021 £m Core	2021 £m BPR	2021 £m Total	2020 £m Total
Food and drink	0.4	-	0.4	1.6
Cleaning, laundry and other	0.5		0.5	1.0
<u>-</u>	0.9	<u> </u>	0.9	2.6
Other				
	£m Core	2021 £m BPR	2021 £m Total	2020 £m Total
Amortisation of software	-	-	-	0.1
Equipment purchase and hire	0.5	-	0.5	1.2
Insurance, legal advice and other professional services	1.1	0.2	1.3	1.7
Printing, postage and stationery	0.7	-	0.7	1.1
Covid-19 related expenditure	0.4	1.7	2.1	-
Other	0.9	0.2	1.1	0.8
	3.6	2.1	5.7	4.9

APPENDIX 2: FIVE YEAR INFORMATION

Year to 31 March	2021	2020	2019	2018	2017
	£m	£m	£m	£m	£m
Funding received:					
Grants	85.9	82.4	82.2	76.1	42.8
Income					
Property rental income	3.4	3.3	3.2	3.3	3.1
Facilities management charges	(0.2)	7.3	7.0	6.0	5.3
Recharges for functions and other income	6.2	9.6	7.6	11.4	6.5
Transfer to Non-current assets reserve	-	_	_	(3.4)	_
	9.4	20.2	17.8	17.3	14.9
Expenditure					
Payroll costs	(24.1)	(24.4)	(23.2)	(21.4)	(20.3)
Other staff costs	(3.3)	(4.5)	(3.5)	(2.2)	(1.4)
Property maintenance	(49.5)	(38.3)	(37.8)	(22.6)	(17.8)
Travel	(3.2)	(5.3)	(4.6)	(4.7)	(4.5)
Utilities	(3.2)	(3.1)	(2.9)	(2.7)	(3.1)
Housekeeping and hospitality	(0.9)	(2.6)	(2.3)	(2.3)	(2.2)
Information technology and telecoms	(3.7)	(4.2)	(3.8)	(3.0)	(3.0)
Depreciation	(3.3)	(2.3)	(2.0)	(1.6)	(1.5)
Other	(5.7)	(4.9)	(4.7)	(4.2)	(3.0)
	(96.9)	(89.6)	(84.8)	(64.7)	(56.8)
Total net expenditure	(87.5)	(69.4)	(67.0)	(47.4)	(41.9)
Sovereign Grant funding less net expenditure transferred (from)/to Sovereign Grant	(1.6)	13.0	15.2		0.9
PERFORMANCE INDICATORS AND OPE	RATING	G RATIC			
	2021	2020	2019	2018	2017
Suppliers paid within:					
15 days of receipt of invoice	46%	44%	45%	45%	54%
30 days of receipt of invoice	90%	90%	93%	94%	93%
Staff Numbers (average FTE)	508	513	463	438	436

APPENDIX 3: SOVEREIGN GRANT ACCOUNTS DIRECTION

This Accounts Direction is given by HM Treasury in accordance with Sections 2 and 4 of the Sovereign Grant Act 2011.

- 1. The Royal Household shall prepare accounts for the Sovereign Grant and Sovereign Grant Reserve for the year ending 31 March 2013 and for subsequent years comprising:
 - (a) an Annual Report;
 - (b) a statement of income and expenditure;
 - (c) a statement of comprehensive income and expenditure;
 - (d) a statement of financial position;
 - (e) a statement of changes in equity;
 - (f) a statement of cashflows; and
 - (g) a statement of the reserve fund,

including such notes as may be necessary for the purposes referred to in the following paragraphs.

- 2. Each of the said accounts shall be prepared on the historical cost basis and give a true and fair view of the income and expenditure, total recognised gains and losses and cash flows for the financial year, and state of affairs as at the end of the year.
- 3. Subject to this requirement the accounts shall be prepared in accordance with the requirements of the Government Financial Reporting Manual (FReM) insofar as these are appropriate to the Sovereign Grant and are in force for the financial year for which the financial statements are to be prepared.
- 4. The application of the requirements of the FReM, the Companies Act 2006 (and where applicable Companies Act 1985) and other disclosure requirements is given in Schedule 1 attached.
- 5. This direction shall be reproduced as an appendix to the accounts.

Paula Diggle

Treasury Officer of Accounts

7 June 2013

SCHEDULE 1: ACCOUNTING AND DISCLOSURE REQUIREMENTS

Companies Act 2006 and Companies Act 1985 ("The Acts")

- 1. The disclosure exemptions permitted by the Acts and any Schedules or Regulations thereto shall not apply to the Sovereign Grant accounts unless specifically approved by the Treasury.
- 2. The Acts require certain information to be disclosed in a Directors' Report. To the extent that it is appropriate, information relating to the Sovereign Grant and Sovereign Grant Reserve shall be contained in the Operating and Financial Review for the financial year, which shall be signed and dated by the Keeper of the Privy Purse or other proper officer.
- 3. The Royal Household shall take into consideration the requirements of The Acts as they apply to non-quoted companies (to the extent they can be applied to the circumstances of the Sovereign Grant).
- 4. When preparing the statement of comprehensive income for the Sovereign Grant accounts, the Royal Household shall have regard to the requirements of the profit and loss account Format 2 as prescribed in Schedule 4 to the Companies Act 1985 and for periods beginning after 6 April 2008, the subsequent re-enactment.⁸
- 5. When preparing the statement of financial position for the Sovereign Grant accounts the Royal Household shall have regard to the balance sheet Format 1 prescribed in Schedule 4 to the Companies Act 1985 and for periods beginning after 6 April 2008 the subsequent re-enactment. The balance sheet totals shall be struck at "Net Assets" and signed and dated by the Keeper of the Privy Purse.
- 6. Assets held in right of the Crown shall not be recognised within the Sovereign Grant, although expenses relating to their use and maintenance shall be included.
- 7. The Sovereign Grant accounts are not required to provide the additional historical cost information prescribed in paragraph 33(3) of Schedule 4 to the Companies Act 1985 and for periods beginning after 6 April 2008, the subsequent re-enactment.

Financial Reporting Manual (FReM)

- 8. The following exceptions to the requirements of the FReM are appropriate to the Royal Household and have received the consent of the Treasury:
 - (a) Funding received in respect of the Sovereign Grant (and any draw down from the Sovereign Grant Reserve) is not required to be taken to Reserves but may be recognised in the Statement of Income and Expenditure in the year in which received;
 - (b) The FReM interpretation of IAS 16 for the public sector context that requires all tangible non-current assets to be carried at valuation at the reporting period need not apply. The provisions of IAS 16 relating to measurement of tangible fixed assets at cost and valuations by class of asset may therefore be applied in order to give a true and fair view.

Other disclosure requirements

- 9. The Annual Report and accounts shall, inter alia:
 - (a) State that the accounts of the Sovereign Grant and Sovereign Grant Reserve have been prepared in accordance with this Accounts Direction;

⁸ Contained in the Statutory Instrument SI 2008 No. 410 "The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008" which came into force on 6 April 2008. The provisions of Schedule 4 to the Companies Act 1985 remain in force for accounting periods beginning before that date.

- (b) Include a Statement of the Keeper of the Privy Purse financial responsibilities in respect of the Sovereign Grant;
- (c) Include a Governance Statement which should refer to compliance with The Sovereign Grant Act 2011 or the provisions of the Royal Household's Framework Agreement with the Treasury as appropriate;
- (d) Include a Remuneration Report for those members of the Royal Household whose remuneration is funded from the Sovereign Grant