

Sovereign Grant Act 2011

Report of the Royal Trustees on the
Sovereign Grant for 2013-14



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

December 2012

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Legislative background

Calculation and payment of the Sovereign Grant

1.1 Under section 1(1) of the Sovereign Grant Act 2011 (“the 2011 Act”) the Treasury is to pay to Her Majesty a Sovereign Grant (“the Grant”) for each financial year¹. The purpose of the Grant is to provide resources for use for that year by the Royal Household in support of Her Majesty’s official duties².

1.2 For each financial year subsequent to the financial year 2012-13, the amount of the Grant is the amount determined by the Royal Trustees³ for that year in accordance with section 6 of the 2011 Act⁴. Section 6 of the 2011 Act provides that the amount of the Grant for a financial year (“the relevant financial year”) is to be determined by the Royal Trustees as follows:

Step 1

Calculate 15 per cent of the income account net surplus of the Crown Estate⁵ for the base year⁶.

Step 2

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

Step 3

Find the greater of—

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

That amount is “the Step 3 amount”.

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

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

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

⁴ Section 1(4) of the 2011 Act.

⁵ The income account net surplus of the Crown Estate for a financial year is the amount of that surplus as stated in the statement of accounts certified by the Comptroller and Auditor General under section 2 of the Crown Estate Act 1961 (see section 12(1) of the 2011 Act).

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

Step 4⁷

If the adjusted value of the Reserve Fund⁸ at the end of the base year⁹ exceeds 50 per cent of the audited net relevant resources used for that year¹⁰, the Royal Trustees may reduce the Step 3 amount by such amount as they consider appropriate.

Step 5

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

- (a) the Step 3 amount, or
- (b) if Step 4 applies, the Step 3 amount as reduced by the reduction (if any) made under Step 4¹¹.

1.3 In exercising their powers under Step 4, the Royal Trustees must act in a way they expect will result in the adjusted value of the Reserve Fund at the end of the relevant financial year being about 50 per cent of the audited net relevant resources used for that year¹².

Report of the Royal Trustees

1.4 Each financial year the Royal Trustees must prepare a report stating their determination of the Grant for the following year and how that amount has been determined¹³. The report must be prepared as soon as practicable after the Comptroller and Auditor General has reported on:

- the statement of accounts of the Royal Household for the previous financial year,
- the statement of accounts of the Reserve Fund for that financial year, and
- the statement of accounts for that year prepared by the Crown Estate Commissioners¹⁴.

1.5 The Royal Trustees must give a copy of this Report to the Treasury and the Treasury must lay the Report before Parliament¹⁵.

The Report

1.6 This Report is made by the Royal Trustees under section 5(1) of the 2011 Act.

1.7 The Report states the determination of the Royal Trustees of the amount of the Sovereign Grant for the financial year 2013-14. It also states how that amount has been determined.

⁷ Step 4 does not apply for the financial year 2013-14 (see paragraph 2(b) of Schedule 2 to the 2011 Act).

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

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

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

¹¹ Paragraph (b) of Step 5 does not apply for the financial year 2013-14 (see paragraph 2(b) of Schedule 2 to the 2011 Act).

¹² Section 6(4) of the 2011 Act.

¹³ Section 5(1) of the 2011 Act.

¹⁴ Section 5(2) of the 2011 Act. For the financial year 2013-14, section 5 has effect as if paragraphs (a) and (b) of subsection (2) were omitted. The substance of those provisions is set out in the second and third bullet points of paragraph 4 of this Report.

¹⁵ Section 5(3) and (4) of the 2011 Act.

Sovereign Grant for the financial year 2013-14

1.8 The amount of the Sovereign Grant for the financial year 2013-14 is £36,100,000.

1.9 A statement of how that amount has been determined by the Royal Trustees is included in the Annex to this Report.

The Rt Hon. David Cameron

The Rt Hon. George Osborne

Sir Alan Reid

5 December 2012

Annex: Statement of how the Sovereign Grant for 2013-14 has been calculated

A.1 The Sovereign Grant for 2013-14 has been determined in accordance with section 6 of the 2011 Act as follows:

Step 1

The income account net surplus of the Crown Estate for 2011-12 was £240,200,000¹.

15 per cent of £240,200,000 is £36,030,000.

Step 2

£36,030,000 rounded up to the nearest £100,000 is £36,100,000.

Step 3

The amount of the Grant for the financial year 2012-13 was £31,000,000².

The greater of £36,100,000 and £31,000,000 is £36,100,000.

The Step 3 amount is, therefore, £36,100,000.

Step 4

Step 4 does not apply for the financial year 2013-14³. This is because the Reserve Fund did not exist at the end of 2011-12 and so could not have had an adjusted value at that time which exceeded 50 per cent of the audited net relevant resources used for 2011-12.

Step 5

Since Step 4 does not apply, the Grant for the financial year 2013-14 is the Step 3 amount, or £36,100,000.

¹ See page 89 of the Crown Estates Annual Report and Accounts 2012 (http://ar2012.thecrownestate.co.uk/media/77673/thecrownestate_annualreport_2012.pdf).

² See section 1(3) of the 2011 Act which specifies this amount.

³ Paragraph 2(b) of Schedule to the 2011 Act.

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