



**The Sovereign Grant  
and  
Sovereign Grant Reserve**  
*Annual Report and Accounts  
2021-22*





SOVEREIGN GRANT ACT 2011

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and  
Sovereign Grant Reserve**  
*Annual Report and Accounts*  
**2021-22**

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

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FRONT COVER: Her Majesty arriving to open the Scottish Parliament in Edinburgh on 2<sup>nd</sup> October 2021

Photograph provided courtesy of Andrew Milligan/PA Media

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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 Palaces<sup>1</sup>. Until 31 March 2012, funding had been provided under the Civil List and the Grants-in-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 2019-20 amounted to £345.0 million, thereby producing a Core Sovereign Grant of £51.8 million for 2021-22.

The Royal Trustees<sup>2</sup> 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 instead of 15%, with the additional 10 percentage points to be used to fund the Reservicing of Buckingham Palace over a period of ten years. The additional Sovereign Grant for Reservicing for 2021-22 is £34.5 million and the total Sovereign Grant for 2021-22 is therefore £86.3 million.

Official expenditure met by the total Sovereign Grant in 2021-22 amounted to £102.4 million (2020-21: £87.5 million) an increase of £14.9 million (17%) compared to the previous year. Expenditure on property maintenance of £63.9 million (2020-21: £49.5 million) included £47.8 million expenditure on the Reservicing of Buckingham Palace (2020-21: £31.6 million). In addition, £2.0 million was spent on capital assets (2020-21: £3.8 million), of which £0.8 million (2020-21: £2.5 million) related to Reservicing.

The equivalent of the Sovereign Grant funding less total net expenditure, a deficit of £16.1 million in 2021-22, was drawn down from the Sovereign Grant Reserve (2020-21: deficit £1.6 million). The transfer to the Sovereign Grant Reserve from the non-current assets reserve to cover capital expenditure net of depreciation amounted to £1.6 million (2020-21: £0.4 million from the Sovereign Grant Reserve). These reserve movements are set out on pages 82 and 83.

The Sovereign Grant Reserve of £30.8 million includes £15.1 million to meet future commitments for the Reservicing of Buckingham Palace (2020-21: £34.6 million). Authorised and contracted Reservicing commitments are £77.7 million at 31 March 2022 (2020-21: £113.7 million), set out in Note 14 to the accounts.

The Sovereign Grant for 2022-23 is unchanged at £86.3 million (Core £51.8 million and Reservicing £34.5 million).

<sup>1</sup> 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.

<sup>2</sup> 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.

In carrying out both of these roles, The Queen is supported by the Sovereign Grant, and by members of the Royal Family who undertake official duties on behalf of Her Majesty.

## HEAD OF STATE

The Queen is Head of State of the United Kingdom (and fourteen other independent countries<sup>1</sup>).

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 Prerogative<sup>2</sup> 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.

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

<sup>2</sup> 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.

The Queen's constitutional role encompasses a range of parliamentary and diplomatic duties. For example, Her Majesty formally approves all parliamentary legislation and secondary legislation through the Privy Council, as well as certain official public appointments. The Queen has a formal role in dissolving Parliament and opening each new parliamentary session, and She holds regular confidential Audiences with the Prime Minister. Diplomatically, The Queen receives the credentials of foreign Ambassadors and receives visits from other Heads of State. As Head of State, Her Majesty is the Fount of Honour and all honours are awarded in Her name (though, with certain exceptions, most are awarded on the advice of Government). The Queen is also Head of the Armed Forces, Head of the Judiciary and the Civil Service, and 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 and sends messages of congratulation on national achievements, messages of condolence at times of national, international and Commonwealth tragedy, and 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 Trooping the Colour, Garter Day, the Royal Maundy Service, Holyrood Week and Royal Ascot Week. In addition, anniversaries marked over the course of The Queen's reign – Silver, Golden, Diamond and Platinum Jubilees, Coronation anniversaries and family milestones to which people can relate – invite members of the public to join together with their communities to celebrate, reflect and look forward. This and Her Majesty's impressive personal continuity – She has known fourteen Prime Ministers and met thirteen of the last fourteen US Presidents – make The Queen and the Monarchy 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 and members of the Royal Family who support Her Majesty in carrying out her official duties normally entertain 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 2021-22 of the Covid-19 pandemic is on pages 17-21).
- Themed receptions at Buckingham Palace recognise the achievements and importance of particular sectors and celebrate and promote aspects of British culture.
- Visits in Royal programmes 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:

- 307,000 congratulatory telegrams to centenarians on their 100th birthdays.
- 927,000 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 aims to bring Her Majesty into 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 who undertake official duties on behalf of Her Majesty 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, in supporting The Queen's official duties, 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.

In turn, 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](http://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](http://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 2.5 million people saw items from the Royal Collection in royal palaces during 2021-22 (2020-21: 0.6 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](http://www.rct.uk).

Further information is available online at [www.royal.uk](http://www.royal.uk)

# PERFORMANCE REPORT

This performance report sets out how the Royal Household has worked to deliver its objectives, highlighting its key achievements.

## MANAGING THE ROYAL HOUSEHOLD

The role of the Royal Household is to provide exceptional support and service to The Queen and members of the Royal Family, thereby enabling Her Majesty 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 2022 was dominated once more by the impact of the Covid-19 pandemic. Some large-scale events were possible, whilst others were not held. 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 both events and the normal summer opening of Buckingham Palace. Further analysis is provided below.

## PERFORMANCE REPORT - ACTIVITIES

### INCOME GENERATION

As identified in last year's report the Covid-19 pandemic is expected to 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 reduce in absolute terms, future growth is not guaranteed and the Covid-19 pandemic is likely to continue to 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 to visitors 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 (LCC) agreed and discussed with HM Treasury, to waive facilities management charges to the extent that they matched the value of the JRS that could have been claimed. The impact of this is that no charge was payable in respect of March 2020 when £0.2 million was waived and the whole of 2020-21 when £3.8 million was waived. In 2021-22 the amount waived is £0.2 million in respect of April and May 2021. A facilities management charge of £0.4 million has been received for the remainder of 2021-22 following the reopening to the public of Windsor Castle and a Summer opening of the gardens at Buckingham Palace. On the basis of current forecasts for the recovery in visitor numbers at the Occupied Royal Palaces it is anticipated that the charge for 2022-23 will rise to £0.7 million and to £3.8 million in 2023-24 but will not reach pre-pandemic levels until 2025-26.

Income supplementing the Sovereign Grant amounted to £9.9 million (2020-21: £9.4 million), an increase of £0.5 million (5%), mainly because of increased income from facilities management charges and Property maintenance recharges.

The Royal Household has continued to manage the impact of the reduction in income supplementing the Sovereign Grant (compared with pre-pandemic levels) through efficiency and cost management savings as well as savings from changes to the programme of activities in 2021-22. This has enabled the Royal Household to increase the Core Sovereign Grant Reserve from £10.8 million to £15.7 million at the end of 2021-22 which will be used to support the return to business as usual and maintain momentum on the BPR programme in 2022-23, when there will be no increase in the Sovereign Grant and the income from events and facilities management charges will remain well below pre-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, among other things, 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 2021-22 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 £17.1 million in 2021-22, compared with £18.6 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, 58% of the increase in the Core Sovereign Grant has been allocated to property maintenance; allowing for inflation, an additional £66.4 million has been allocated to property maintenance in the ten years of the Sovereign Grant. Including the funding for the Reservicing of Buckingham Palace, 68% of the increase in the Sovereign Grant has been allocated to property maintenance over the same period.

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 pandemic which will reduce the funding available for core property maintenance. However, 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 2021-22 a total of 70 projects over £15,000 (in year spend) in value (2020-21: 141) were carried out across the Estate. 5 of these projects had a construction works spend in excess of £350,000 in the year and collectively accounted for 44% of the total project spend (excluding Buckingham Palace Reservicing) across the whole Estate (2020-21: 7 and 61%), details of which are set out below.

#### *North Side Roofing Phase VI, Windsor Castle (£1.9m this year; £4.3m total costs to date)*

The last and largest phase of the 9-year North side roofing programme commenced in 2020-21. This final phase which encompassed the roof over the Waterloo Chamber and the associated lantern lights is now complete.

*Water Infrastructure Repairs and Replacement, Windsor Castle (£1.8m this year; £5.8m total costs to date)*

The latest phase of this programme has installed a new pipe network 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.

*Windsor Cyclical External Redecorations (£0.7m this year; £0.8m total costs to date)*

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.

*Grand Staircase, Buckingham Palace (£0.6m this year; £0.8m total costs to date)*

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 replacement of the high-level lighting with new energy-efficient lighting incorporating the Reservicing Programme work planned in this area for cost and programme efficiency.

*Picture Gallery Roof Masonry, Buckingham Palace (£0.4m this year; £0.6m total costs to date)*

The render covering the external Picture Gallery lightwell walls had failed in part and required replacing. Maximising the benefit of the scaffolding and temporary roof in situ for the Picture Gallery Roof replacement project, this project saw the removal and replacement of all rendered wall surfaces, new masonry indents and repairs as well as external fabric repairs to timber windows and doors, coupled with external decorations.

### **Property Maintenance – future developments**

The Annual Works Programme of the Property Section for 2022-23 includes a number of major projects which aim to meet the objectives set out in the Sovereign Grant Framework Agreement with HM Treasury.

*Water Infrastructure Repairs and Replacement, Windsor Castle*

The year will see the completion of the last phase of the water infrastructure replacement programme with the construction, commissioning, testing and anticipated adoption of the ‘Tanks and Pumps’ facility that will connect into the new network and supply the main Castle.

*Additional Works not funded by Buckingham Palace Reservicing Programme*

The Reservicing programme is mechanical and electrical focussed, with some operational improvements. For the first time since original construction the building fabric is open and

accessible, providing opportunities to undertake additional works not funded by the programme. These include enhanced fire protection compartmentation, historic finishes repairs and the refurbishment of chandeliers and sundry fittings and fixtures.

#### PROPERTY MAINTENANCE - BUCKINGHAM PALACE RESERVICING

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 minimise the very real risk of fire or flood damage.
- Ensure that Buckingham Palace remains fit for purpose as the principal residence of The Sovereign through operational improvements.
- 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 programmes of Her Majesty and other members of the Royal Family in support of Her Majesty, 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. Covid-19 restrictions have remained in place during the year and all sites continue to operate under the guidance from the UK Government and the Construction Leadership Council. Additional welfare and logistics arrangements have been put in place to support this and allow the programme to be delivered within the funding profile.

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 and improved accessibility. 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 (to date, there have been 22 apprentices and 23 graduates working on the programme).

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 seconded to the Household. 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. The High Priority Works have been completed.
- **Palace Wide Infrastructure** – The replacement of all primary services distribution infrastructure within the basement. Originally planned on a wing-by-wing basis as part of the Reservicing phase, this 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. Seven Programme Assessment Reviews and four Gateway Reviews have now been completed to inform the Programme Challenge Board.

### **Major Focus in the Year**

During 2021-22 the key areas of work have included:

- Completion of the “Early Works” areas in the East Wing, which included the reinstatement and reopening of the Privy Purse Door visitor entrance in February 2022. Step-free access is now available to this entrance for the first time, following the completion of The Privy Purse Door ramp in March 2021. This is a significant operational benefit, greatly improving the accessibility of the Palace.
- Continuation of the East Wing Reservicing including the completion of enhanced welfare facilities for contractors in the South Forecourt, to maintain a Covid-19 secure working environment. Significant progress has also been made on the creation of lift shafts for two new lifts in the East Wing, which will make the Palace more accessible and improve the operational use of the building.
- Progression of the South Wing Reservicing works. Enabling works began on site in 2021, including the installation of temporary services and investigations. The East Wing Construction Manager remains in post to lead the main section of the South Wing Reservicing, due to the concurrent activity between both projects and anticipated efficiencies. Reservicing works are currently planned for commencement in early 2023.
- Appointment of the West Wing Reservicing main contractor in April 2021.

- Completion of the West Wing Advance Works and reservicing works to the Grand Entrance and Grand Staircase in January 2022 and the Minister's Stairs, Marble Hall and Picture Gallery in February 2022.
- Completion of the Picture Gallery roof replacement works in February 2022, realising some of the programme's sustainability benefits.
- Removal of the Welfare Compound and the Picture Gallery roof scaffolding from the Quadrangle in March 2022.
- Completion of the Garden Welfare Compound in February 2022, providing welfare facilities and logistics arrangements for the West Wing works.
- Commencement of the Palace Wide Infrastructure project and development of the programme, allowing the project to progress at pace and in line with each wing-by-wing project. The first zone of the works was completed in March 2022.
- Completion of initial surveys in the North Wing.
- Procurement and appointment of new Design Consultants for the West Wing and South Wing RIBA Stage 5-7 designs.
- Continuation of RIBA Stage 4 design for the North Wing 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 and the anticipated future funding profile.

### **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 five years of the programme, Sovereign Grant income allocated to the programme amounted to £165.2 million to meet net expenditure of £136.1 million plus net capital expenditure of £14.0 million, with £15.1 million transferred to the Sovereign Grant Reserve to meet future expenditure (Note 16). At 31 March 2022 the Royal Household had authorised and contracted commitments of £77.7 million to be met from this reserve. The Sovereign Grant Reserve funds are deposited with the Government Banking Service until required.

### **Reservicing of Buckingham Palace Projects – future developments**

Key activities, which will involve a significant drawdown from the Sovereign Grant Reserve, in 2022-23 will include:

- Completion of the East Wing Reservicing works. The East Wing works, including the operational improvements in this area will continue throughout the next financial year.
- Re-instatement of the East Wing.

- Completion of the first phase of the West Wing Reservicing works and re-instatement of these areas for operational use.
- Continuation of the decant of spaces in the West Wing, including the protection of Royal Collection items.
- Completion of the early and enabling works in the South Wing, including asbestos removal. The reservicing of the South Wing is due to commence in early 2023.
- Continuation of the Palace Wide Infrastructure project, particularly focusing on the completion of new Plant Rooms and infrastructure in the East Wing and West Wing basements.
- The RIBA stage 4 completion and Planning and Listed Building Consent for all wings.

## 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 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 (other than Realm visits) which is funded by the Sovereign Grant is determined by the Foreign, Commonwealth and Development Office (FCDO) and undertaken on behalf of Government and is 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 with representatives from Government and the Royal Households.

Almost 2,300 official engagements were undertaken across the United Kingdom and overseas by members of the Royal Family during the year to 31 March 2022, many virtually (2020-21: almost 1,470). A list of the 26 (2020-21: 5) journeys undertaken by members of the Royal Family and their staff during 2021-22 which had travel costs of £15,000 or more, met from the Sovereign Grant, is available on the Monarchy website at [www.royal.uk](http://www.royal.uk). This marks a gradual return to pre-pandemic levels. 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 and the Duchess of Cornwall - Official FCDO visit to Jordan and Egypt (£124,000).
- The Prince of Wales - Official FCDO visit to Barbados (£138,000).

In addition, The Duke and Duchess of Cambridge undertook a Platinum Jubilee visit to Belize, Jamaica and The Bahamas (£226,000).

**DIGITAL SERVICES** (formerly Information Technology and Telecommunications and Information Assurance)

A Chief Information Officer (CIO) has been appointed to lead the Royal Household's Digital Services, taking responsibility for leading digital transformation across the Royal Household to benefit the Household and its services to the public.

To enable this transformation, key foundations need to be put in place. Some of the work completed during 2021 such as moving core services to the cloud and supporting the hybrid work environment will continue to be optimised. A particular focus will be around building the strategic capability to support wider initiatives and programmes such as delivering value through the use of the new Customer Relationship Management (CRM) system and replacing the legacy finance system with a more modern Enterprise Resource Planning (ERP) system that will improve operational efficiency and productivity.

The Digital Services function is in the process of defining an enhanced operating model which will focus on building capability in terms of people, process, tools and technology. A new Risk Framework has been created to manage the Royal Household's risk appetite in this area as well as providing information to manage the highest priorities and to ensure that these priorities are aligned with appropriate investment. Two areas where development is being prioritised are Cyber Security and Information Assurance.

Further developments will include the increasing automation of common services and moving to self-service solutions where appropriate.

During 2021-22, there were no data breach incidents to report to the Information Commissioner's Office (2020-21: none).

## PUBLIC ENGAGEMENTS

Public engagements throughout the UK conducted by Her Majesty and members of the Royal Family together with Events and Hospitality at the Occupied Royal Palaces hosted by Her Majesty and members of the Royal Family support Her Majesty's role as Head of Nation.

During the year 1 April 2021 to 31 March 2022, The Queen undertook 201 (2020-21: 113) official engagements.

In line with the UK Government's response to Covid-19, The Queen's programme continued to be affected by the pandemic and was adapted accordingly. Her Majesty continued to use technology to undertake a number of "virtual" engagements, but also took part in engagements in person throughout the United Kingdom in line with government guidelines. The Queen remained based at Windsor Castle.

In April 2021, the Funeral of The Prince Philip, Duke of Edinburgh took place in St. George's Chapel, Windsor Castle.

Her Majesty marked Accession Day, the start of the Platinum Jubilee year, in February 2022 in Sandringham, hosting a reception for members of the local community and volunteer groups at Sandringham House.

Highlights of Her Majesty's schedule included:

- In May, The Queen opened the Session of Parliament at the Palace of Westminster. The Prince of Wales and The Duchess of Cornwall were present.
- In May, The Queen visited HMS QUEEN ELIZABETH at HM Naval Base, Portsmouth, prior to the Ship's maiden operational deployment. Her Majesty received a briefing on the UK Carrier Strike Group and met service personnel.
- In June, The Queen, accompanied by The Prince of Wales and The Duchess of Cornwall and The Duke and Duchess of Cambridge, attended a reception at the Eden Project, Cornwall on the occasion of the G7 Summit. The Queen, with The Duchess of Cornwall and The Duchess of Cambridge, afterwards met representatives of the Big Lunch and local essential workers.
- In June, Her Majesty was present at a Military Ceremony in the Quadrangle of Windsor Castle to mark The Queen's Official Birthday.
- In June, The President of the United States of America and Dr. Jill Biden visited The Queen.
- In June, The Hon. Scott Morrison MP (Prime Minister of the Commonwealth of Australia) was received by The Queen.
- In June, The Queen, accompanied by The Duke of Cambridge, Earl of Strathearn, viewed the AG Barr plc factory's production area in Cumbernauld and met members of staff and local charity partners, opening the Process Facility.

- In June, The Queen opened the newly renovated Argyll and Sutherland Highlanders Regimental Museum at Stirling Castle. Her Majesty toured the Museum galleries, meeting members of staff and supporters.
- In June, The Queen, accompanied by The Princess Royal, visited the Children's Wood in Glasgow. Her Majesty viewed a session in the beekeeping area and met members of the community gardening group and schoolchildren who benefit from the use of the woods.
- In June, The Queen, accompanied by The Princess Royal, visited AAC Clyde Space and Spire Global in Glasgow. Her Majesty viewed where satellites are produced and demonstrations on data generated by satellites and met members of staff.
- In July, The Queen, accompanied by The Princess Royal, visited Edinburgh Climate Change Institute. Her Majesty toured the Institute, meeting staff and students and viewing demonstrations, before meeting representatives from the Children's Parliament who presented a commemorative tree to Her Majesty which will be planted in the grounds as part of The Queen's Green Canopy.
- In July, Dr. Angela Merkel (then Chancellor of the Federal Republic of Germany) was received by The Queen.
- In July, The Queen visited the set of "Coronation Street" in Manchester to mark their 60th Anniversary, meeting members of the cast and crew. Her Majesty afterwards visited Manchester Cathedral to mark the 600th Anniversary of the Cathedral.
- In October, The Queen, accompanied by The Prince Charles, Duke of Rothesay and The Duchess of Rothesay, opened the Session of the Scottish Parliament in Edinburgh.
- In October, The Queen, accompanied by The Earl of Wessex, launched The Queen's Baton Relay for the Birmingham 2022 Commonwealth Games from the Forecourt of Buckingham Palace.
- In October, The Queen, accompanied by The Princess Royal, attended a Service of Thanksgiving to mark the Centenary of the Royal British Legion at Westminster Abbey.
- In October, The Queen, accompanied by The Prince of Wales and The Duchess of Cornwall, opened the Session of the Senedd Cymru - Welsh Parliament in Cardiff.
- In October, The Queen held a Reception at Windsor Castle to mark the Global Investment Summit.
- In November, a wreath was laid on behalf of The Queen by The Prince of Wales during the Ceremony at the Cenotaph on the occasion of Remembrance Day.

- In March, The Rt. Hon. Justin Trudeau MP (Prime Minister of Canada) was received by The Queen.
- In March, The Service of Thanksgiving for The Prince Philip, Duke of Edinburgh was held in Westminster Abbey.

### **Public Engagements and Events – future developments**

The Platinum Jubilee central weekend in early June saw almost all working members of the Royal Family and some non-working family members participating in the key national events: Trooping the Colour; the National Service of Thanksgiving; the BBC Concert and the Pageant. During the central weekend, members of the Royal Family also undertook visits to each of the home nations. A number of members of the Royal Family also supported other significant Jubilee initiatives such as the Big Lunch and, later in the year, will visit the eight new Jubilee cities. This follows the extensive Royal involvement earlier in 2022 with two of the flagship Jubilee legacy projects, The Queen’s Green Canopy and the Platinum Pudding Competition.

### 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, UKHSA (formerly Public Health England) and UK and Scottish Governments, some public events with large numbers of people due to have been attended by The Queen and other members of the Royal Family were cancelled in 2021-22: the annual Maundy Service at St George’s Chapel; all Garden Parties in 2021; Trooping the Colour; the annual Garter service at Windsor Castle. However, a full programme of investitures resumed in June 2021 and Garden Parties resumed in May 2022.

### 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 and the London Fire Brigade 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 March 2022.

### *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. These continue to be constantly adjusted in line with changing Government direction and guidance.

## HUMAN RESOURCES

Over the year, the primary focus has been on streamlining the delivery of the department's transactional activities – from recruitment and introducing new employees to processing leavers and conducting exit interviews - supporting the Royal Household's new ways of working and re-building staffing levels following the recruitment freeze in the previous year. This work took into account the radical shift that has occurred in the workplace as a result of the Covid-19 pandemic and the changing expectations of current and prospective employees.

Further to the commitments made in last year's Annual Report the Household continued to emphasise the importance of Inclusion, Diversity and Equality. A listening exercise to understand better employees' views on the Household's culture and ways of working was conducted with the support of a specialist Inclusion and Diversity consultancy. The feedback from the associated surveys and focus groups was used to develop a new Inclusion and Diversity strategy. The lifting of the recruitment freeze has provided the opportunity to attract new talent from a diverse range of candidates.

Employment policies and practices have continued to be adapted to reflect the changes in the work environment created by the Covid-19 pandemic and the emphasis on employee Wellbeing and Engagement has remained a priority. As employees who were working remotely returned to the workplace, support to individuals and managers ensured that they were able to work safely and in accordance with Government guidelines.

Digital learning (particularly focussing on compliance with Household policies such as Security, Health & Safety and Information Assurance) was the most substantial element of the learning and development offer during the year but as lockdown lifted, physical onboarding and some classroom sessions resumed.

### **Human Resources – future developments**

Plans for 2022-23 include a requirement to assess the effectiveness of the current model of flexible working which has been adopted across the Household. Support for the work programme associated with Inclusion and Diversity will include an ongoing focus on attracting, selecting and onboarding.

The delivery of HR services will be enhanced with an upgrade of the Learning Management System, which will also have the capability to improve the Performance Development Review process.

## VOLUNTEERING AND CHARITABLE WORK

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.

## ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) INVESTMENT

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.

Over March and April 2022, the Royal Households Group Pension Scheme moved its investments in equities from standard index funds to the LGIM Future World Global Equity Index Fund, which incorporates environmental, social and governance factors in determining the fund's underlying equity investments. This fund reduces the carbon footprint and intensity by around 50% when compared to a standard global equity indices. This supports the Royal Household's social responsibility aims and will also help continue to reduce the carbon footprint of the Scheme.

## SUPPLIER PAYMENT PERFORMANCE

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

Percentage paid within:	<b>2022</b>	2021
	%	%
• 15 days of receipt of invoice	44	46
• 30 days of receipt of invoice	87	90

The Royal Household's five-year performance can be found on page 118.

## PERFORMANCE REPORT - ENVIRONMENTAL REVIEW

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”*

The Royal Household recognises that the world is facing a climate crisis and needs to both act itself and show leadership to others. It occupies a number of historic buildings of national and global importance and faces major challenges in such areas as: energy efficiency; out-dated, non-compliant plant and equipment; and additional constraints on developments and improvements by virtue of heritage and listed building controls.

The Royal Household aspires to set the highest possible benchmark for environmental sustainability within the context of the historic environment in which it operates through careful management and monitoring of existing systems; placing sustainability at the forefront of future developments and improvements; working with partners and suppliers in a holistic manner; and employing innovative, technological approaches wherever possible. Above all else, the Royal Household aims for cultural change by improving the sustainability literacy and achievements of our wider community which includes staff, contractors, suppliers and residents such that efforts to protect our natural environment are inherent and pervasive across the wider organisation and its supply chain. The Royal Household sees the delivery of sustainable and circular economy principles and the deployment of a roadmap to net-zero as important elements in the Royal Household and the Royal Family’s commitment to sustainability.

This strategy will be delivered through direct action on the ground, through advocacy, leadership and careful monitoring. The Royal Household recognises that not all of the answers exist right now but is keen to facilitate the delivery of technology led solution-oriented projects to assist the Occupied Royal Palaces Estate as well as wider society to mitigate and adapt to the challenges of climate change over the forthcoming decades.

### STRATEGIC AIMS

The Royal Household’s Strategic Aims for environmental sustainability include:

*Emissions.* To establish a zero-greenhouse gas emissions baseline and roadmap in 2022-23 for The Royal Household’s direct operations (‘Scope 1 and 2’ emissions); and as soon as practically possible for The Royal Household’s indirect operations and supply chain (‘Scope 3’ emissions). This roadmap will be structured to provide clarity about the predicted emissions reduction profile, the interventions needed to achieve this and the actions that will need to be taken to deliver this effectively. Deployed using the science-based targets (SBT) methodology the emissions reduction profile will be SBT aligned and seek to exceed the required 4.2% annual reduction required for compliance. Additional work will be deployed to enable the Royal Household to predict when absolute zero can be achieved and whether this can be accelerated to a date prior to 2050.

*Resources.* The Royal Household will seek to deploy a Circular Economy approach to improving the efficient use of resources used in both the Royal Household's direct operations and in the services provided by the Royal Household's supply chain. Over the medium and long term the Royal Household will seek to increase the use of sustainably sourced and/or certified natural resources such that the supply of all consumable resources is met from sustainable, supply resilient sources. The Royal Household will aim to eliminate our use of non-recyclable plastic packaging and avoid single use, non-recycled plastic across our operations - including subcontracted catering and events.

*Water.* The Royal Household will adopt a strategy of water foot-printing<sup>1</sup> in order to understand the issues associated with water management and conservation whilst also addressing the carbon footprint associated with water management. The Royal Household will also seek to improve the efficiency of water use and reuse, whilst taking steps to safeguard the long-term security of water resources and in particular investigate opportunities for the use of grey water in the facilities and minimise waste through control systems and monitoring.

*Waste.* Strategies and operational plans for the avoidance, reduction, re-use and recycling of waste across the Royal Household's operations will follow a Circular Economy approach and, in addition, this will be accompanied by the short-term objective of achieving 5% waste to landfill across direct operations in accordance with the Greening Government Commitments. In due course, all contractors will be expected to adhere to waste management targets and associated landfill reduction targets as part of their contractual obligations.

*Nature and Biodiversity.* The Royal Household is intent on best practice in preservation, sustainability and conservation and seeks to enhance the natural environment and biodiversity across the Occupied Royal Palaces.

*Supply Chain.* The Royal Household will apply a proactive and systematic approach to the promotion and achievement of environmental sustainability criteria across the supply chain, including consideration of greenhouse gas emissions, water, waste, resource use, nature and biodiversity and sustainable procurement. In addition, it will seek to encourage secure, socially inclusive working conditions within the supply chain, thereby supporting and enabling the creation and achievement of sustainable markets and initiatives. This will be delivered through a revised procurement policy and strategy for implementation in 2022-23.

*Awareness.* To raise awareness amongst Royal Household staff, contractors, suppliers and residents through good communication, education and training and the dissemination of best practice, thus improving their sustainability literacy and achievements; ensuring that environmental sustainability is at the forefront of the Royal Household's activities.

Critical to the achievement of the strategic aims is *Data Collection and Monitoring*. To operate processes and methodologies allowing the collection and scrutiny of accurate environmental and sustainability data, specifically focused on The Royal Household's greenhouse gas emissions and use of natural resources.

<sup>1</sup> Water Footprint: water used to produce the services consumed or provided by The Royal Household

## 2021-22 STATISTICS

Exceptionally, during 2021-22 the return of physical engagements and events at the Occupied Royal Palaces and the programme of overseas visits at the request of Government, has largely driven:

- a 21% increase in Scope 1 to 3 greenhouse gas emissions compared to pre-pandemic levels in 2019-20, influenced by a 46% increase in emissions from business travel; but
- a 17% decrease in waste generation compared to pre pandemic levels in 2019-20.

### **Greenhouse Gas Emissions**

Scope 1 and 2 greenhouse gas (GHG) emissions - from heating, lighting and owned/leased vehicles – have increased to 1% above the pre-pandemic level in 2019-20.

Scope 3 emissions - largely from business travel – have increased by 21% above the pre-pandemic level in 2019-20 with a much-increased number of large overseas tours in the year.

### 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	2022 (tCO <sub>2</sub> e)	2021 (tCO <sub>2</sub> e)	% 2022 Change from 2021	2020 (tCO <sub>2</sub> e)	% 2022 Change from 2020
Scope 1: Natural gas and owned/leased vehicles	3,851	2,902	33	3,544	9
Scope 2: Purchased electricity (non-renewable)	22	26	(15)	28	(21)
<b>Total Scope 1 &amp; 2 (Market-based)*</b>	<b>3,873</b>	<b>2,928</b>	<b>32</b>	<b>3,572</b>	<b>8</b>
Scope 2: Purchased electricity (renewable)	1,198	816	47	1,429	(16)
<b>Total Scope 1 &amp; 2 (Location-based)**</b>	<b>5,071</b>	<b>3,744</b>	<b>35</b>	<b>5,001</b>	<b>1</b>
Scope 3: Business travel	2,857	529	440	1,953	46
Scope 3: Electricity transmission & distribution	108	72	50	124	(13)
<b>Total Scope 3</b>	<b>2,965</b>	<b>601</b>	<b>393</b>	<b>2,077</b>	<b>43</b>
<b>Total Scope 1 - 3 (Market-based)*</b>	<b>6,838</b>	<b>3,529</b>	<b>94</b>	<b>5,649</b>	<b>21</b>
<b>Total Scope 1 - 3 (Location-based)**</b>	<b>8,036</b>	<b>4,345</b>	<b>85</b>	<b>7,078</b>	<b>14</b>

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

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

Applying the Market-based reporting method to electricity purchased - which uses zero for electricity purchased from renewable sources, GHG emissions in 2021-22 increased by 94%. Note that 2021 Scope 2: Purchased electricity (renewable) may be understated due to a metering issue. All emissions have been calculated using the relevant carbon conversion factors from Department for Business, Energy and Industrial Strategy/DEFRA.

### Energy Consumption

	<b>2022</b>	2021	%	2020	%
	<b>kWh(m)</b>	kWh(m)	2022 Change from 2021	kWh(m)	2022 Change from 2020
Gas	<b>18.2</b>	14.7	24	16.5	10
Electricity – National Grid	<b>5.7</b>	3.6	58	5.7	-
Electricity – Hydro- electric Scheme at	<b>1.1</b>	0.8	38	0.7	57
	<b>25.0</b>	19.1	31	22.9	31

Total energy consumed across the Estate in 2021-22 was 25.0 kWh(m) (2020-21, 19.1 kWh(m)).

National Grid electricity is predominantly (96%) purchased from renewable sources

### Water

In 2021-22, 0.1 million cubic metres of water from public suppliers was used across the Estate (2020-21: 0.2 million cubic metres).

## Waste

In 2021-22 1,522 tonnes of waste was produced across the Household (2020-21: 1,486 tonnes), a 2% increase. Waste generated and removed by works contractors is not included. The tonnage of waste recycled includes gardens and horse waste from London and Windsor.

	2022 Tonnage	2021 Tonnage	% 2022 Change from 2021	2020 Tonnage	% 2022 Change from 2020
Waste recycled	1,103	1,068	3	1,310	(16)
Waste to landfill / incineration	419	418	-	528	(21)
Total waste	<u>1,522</u>	<u>1,486</u>	2	<u>1,838</u>	(17)

## Environmental Sustainability Governance

During 2021-22, 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.
- **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.
- **Environment Technology Group-** A group to identify and review existing and emerging technologies across engineering functions that can subsequently be applied to reduce energy use and carbon and to consider sustainability when evaluating building fabric and materials.

Progress on environmental sustainability during the year included:

- Roll out of automatic meter readers for all billed gas, electricity and water meters across all sites to facilitate accurate data collection and scrutiny of consumption data. Improved granularity of data is used to proactively track and manage energy usage.

- Design proposals are being considered to recover wasted heat from cooking, refrigeration and dishwashing from the Royal Kitchen at Buckingham Palace.
- Completion of the Feasibility Stage for replacing the heating system at Clarence House, which included identification of the lifecycle cost of each primary energy source option.
- An estate wide feasibility study to evaluate the viability of various Ground Source and Water Source Heat Pump technologies to heat the sites.
- The Building Management System (BMS) in Buckingham Palace, which is used to control plant and machinery, was upgraded.
- The completion of the Windsor Home Park water system has eradicated historic leaks in this area.
- Additional Electric Vehicle charging points installed at Marlborough House Mews and Windsor Castle Royal Mews.
- At lease renewal, Household vehicles are assessed for change to fully electric or hybrid models.
- Windsor Castle North Side Roofing, reinstatement of the original natural ventilation flow through the roof structure.
- Development and design of historically sympathetic low energy LED lamps to enable a transition away from gas lamps (subject to planning approval).
- The Royal Train is now powered exclusively by Hydro-treated Vegetable Oil (HVO), a second-generation biofuel derived from waste products. The use of HVO significantly reduces carbon dioxide (CO<sub>2</sub>) and nitrogen oxide (NO<sub>x</sub>) emissions compared to standard diesel.
- The Queen's Helicopter Flight gained approval for the use of Sustainable Aviation Fuel (SAF) in its helicopters, one of the first onshore helicopter operators in the United Kingdom to utilise SAF. SAF has also powered fixed-wing tasks where available, most notably the visits to Jordan and Egypt and Barbados.

### **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. A revised procurement policy and strategy has been agreed for implementation in 2022-23.

### **Biodiversity**

Biodiversity continues to be at the forefront of decision making in the gardens across the London and Windsor Estates with an emphasis on nurturing the existing whilst identifying areas where improvements can be made. The long-term plan involves investing in habitat recognition and enhancement based on active Biodiversity Policies.

During the past twelve months the Buckingham Palace meadow areas have been increased in size by both extending existing meadow and creating new areas for native plants to grow which enhances the nature corridors across the gardens. This programme has been combined with adapting the meadows management regimes to enhance the overwintering potential for moths and butterflies. In tandem with this, we have continued to plant more disease resistant elm trees as part of a drive to see these returned to the landscape, which in turn benefits biodiversity as well as conservation. Last year's ongoing moth and butterfly survey identified 18 new species to the garden which is a record for the garden in any one year.

The garden at Clarence House continues to be run organically with no use of chemicals and using only natural fertilisers. An orchid population is establishing well within the meadows with both Pyramidal and Common Spotted Orchids represented.

In recent years, a number of projects in Windsor have been undertaken to support wildlife and biodiversity across the Windsor Estate including the upgrade and replenishment of a number of East Terrace rose beds, the targeted planting of the Moat and Jubilee Garden areas and the new planting scheme in the Learning Centre area in Pug Yard. These projects have focused on using more pollinators in planting schemes to encourage and attract insect species. In addition, all of the plants sourced have been cultivated peat free.

We are also encouraging areas of meadow across the estate, which are now only mown once a year to enhance the number of insect and wildflower species. The gardening team no longer 'clean out' flower beds completely when they are replanting areas, instead preferring to retain leaf and undisturbed wood on site wherever possible to benefit invertebrates, amphibians and reptiles.

The use of pesticides and herbicides is continually reviewed and reduce where possible. This has included removing selective herbicide applications on all lawns from the lawn maintenance schedule and removing completely the use of pesticides on roses to encourage the ladybird population. The gardens team have also carried out trials for alternative chemical free weed removal options on hard surfaces which has included certain types of weed burning devices and the use of foam.

### **Environmental Sustainability – future developments**

The Household will continue to implement energy efficiency and reduction initiatives and waste and recycling improvements, across the Estate. Work will also continue 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. Specific areas of focus will include:

#### *Energy efficiency and reduction*

Replacing carbon intensive gas lamps with LED upgrades across all sites (subject to planning approval).

Continuation of the planning and development work for a third Hydro Electric turbine to serve Windsor Castle.

Better monitoring and targeting achieved by continuing to roll out smart meters.

A rolling programme of plant replacement and LED lighting upgrades.

Optimisation and expansions of Building Management System controls and connectivity as part of the maintenance and upgrade of buildings and utility systems.

#### *Business travel*

Increased use of sustainable aviation fuel, subject to availability and value for money, for both helicopters and fixed wing charters.

A continued roll out of electric vehicle charging points is planned at all Occupied Royal Palaces.

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.

#### *Waste reduction*

The completion of a new waste tender across the London Palaces founded on a central Sustainability objective.

In 2022-23 the sustainability team will be expanded and will focus on enhancing data collection, monitoring and reporting. This will enable the Royal Household to identify and monitor areas of concern, set realistic targets and apportion resources to make improvements, appraise projects including their impact on the environment and benefit to society and provide evidence in terms of legislative compliance and public/governmental scrutiny.

## CLIMATE CHANGE RISK

The findings from the Third UK Climate Change Risk Assessment (CCRA3) Evidence Report were published in 2021. Within the Heritage sector, there are three areas of particular relevance to the Royal Household Estate:

- Risks to people, communities and buildings from flooding (both from surface water flooding and the River Thames).
- Risks to building fabric from moisture, wind and driving rain (including wider temperature swings and extreme weather events).
- Risks to cultural heritage (such as from new pest species)

Accordingly, risk assessment work over the next five years will include:

- Assessments of resilience to flood from roof to ground, followed by prioritised mitigation work.

- Surveys of surface water and drainage systems.
- Water table monitoring.
- Review of lightning protection.
- Desktop geological soil surveys.
- Expansion of temperature and humidity recording beyond State and Semi State Rooms.

### **Going Concern**

The closure of the Occupied Royal Palaces to visitors in 2020-21 and 2021-22 together with the decision to waive a proportion of the Facilities Management Charges due from The Royal Collection Trust over this period has resulted in a loss of income to supplement the Sovereign Grant of some £7 million per annum compared with the pre-Covid Facilities Management Charge in 2019-20. It is anticipated that the Facilities Management Charge will take several years to recover to the pre-Covid level as visitors gradually return to the Palaces. Despite this reduction in income, the continuation of recruitment and pay freezes together with cost savings and reductions in planned Core property expenditure has enabled the Royal Household to achieve a £4.9 million increase in the Core Sovereign Grant Reserve at 31 March 2022. With the Sovereign Grant remaining unchanged in 2022-23 and increased inflationary pressures on operating costs, the Core Sovereign Grant Reserve will be utilised to support The Queen's Programme and the programmes of other members of the Royal Family as well as providing short term funding for the Buckingham Palace Reservicing Programme in advance of Sovereign Grant receipts in future years.

After approving the Three Year Plan 2022-25 which reflects the above financial pressures on the Royal Household and with confirmation from the Royal Trustees of the amount of the Sovereign Grant for 2022-23, 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

15 June 2022

# ACCOUNTABILITY REPORT

## GOVERNANCE STATEMENT

### GOVERNANCE - LORD CHAMBERLAIN'S COMMITTEE

The Lord Chamberlain's Committee (LCC) provides leadership to the Sovereign's Household ("the Royal Household") and has overall responsibility for the management of its activities, taking close account of Her Majesty's wishes. It sets strategic plans and priorities, monitors risk and makes sure that they align with the desired performance and culture. The LCC also ensures that the Royal Household's obligations relating to the Sovereign Grant and to other stakeholders are understood and met. In this way it fulfils its responsibilities to Her Majesty The Queen, to ensure that an effective and modern organisation underpins the work of the Sovereign.

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

Lord Chamberlain - The Lord Parker of Minsmere (Non-executive Chair)

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 Office | Lt Col. Michael Vernon               |
| • Director of the Royal Collection       | Mr Tim Knox                          |

Non-executive members:

- |                                                                                  |                                                                                      |
|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| • Principal Private Secretary to The Prince of Wales and The Duchess of Cornwall | Mr Clive Alderton                                                                    |
| • Private Secretary to The Duke of Cambridge                                     | Mr Jean-Christophe Gray                                                              |
| • Private Secretary to The Duchess of Cornwall                                   | Ms Amanda MacManus (until 31 July 2021)<br>Ms Sophie Densham (from 1 September 2021) |
| • Private Secretary to The Duchess of Cambridge                                  | Ms Hannah Cockburn-Logie                                                             |
| • Chair of the Audit and Risk Assurance Committee                                | Mr John Coombe (until 31 August 2021)                                                |

Ms Sharmila Nebhrajani (from 1 September 2021)

- Independent Member

Ms Carol Hui (from 1 June 2022)

The Private Secretary to The Late Duke of Edinburgh, Brigadier Archie Miller Bakewell served as a Non-executive member of the LCC until 30 April 2021.

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

Members of the Lord Chamberlain's Committee have a broad range of experiences relevant to the Royal Household's activities. The attendance record for the year is set out below:

<b>Lord Chamberlain's Committee</b>	<b>Meetings attended</b>
The Lord Parker of Minsmere (Chair)	8/9
The Rt Hon. Sir Edward Young	9/9
Sir Michael Stevens	9/9
Vice Admiral Sir Tony Johnstone-Burt	9/9
Lt Col. Michael Vernon	9/9
Mr Tim Knox	9/9
Brigadier Archie Miller-Bakewell	1/2
Mr Clive Alderton	6/9
Mr Jean-Christophe Gray	5/9
Ms Amanda MacManus	3/4
Ms Sophie Densham	4/5
Ms Hannah Cockburn-Logie	4/9
Mr John Coombe	4/4
Ms Sharmila Nebhrajani	2/4

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 and/or emerging risks are reviewed at each meeting. 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, as well as the Household of the Duke and Duchess of Cambridge. The Sovereign Grant Planning Committee met 11 times during 2021-22 (2020-21: 11). The activities of the Sovereign Grant Planning Committee include reviewing the monthly Sovereign Grant management accounts, reviewing the Budget and Three-Year Plan (2022-25), monitoring risks, 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 2021-22 (2020-21: once) to consider reports from the Information, Personnel and Physical Security working groups. The Security Risk Management Board is chaired by an 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 Royal 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 2021-22 (2020-21: 12). 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 (2020-21: 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, former 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. In March 2022, Dr Karen Miller joined the Programme Challenge Board. Dr Miller is a Research Associate in Industrial Sustainability at the University of Cambridge.

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.

The Lord Chamberlain's Committee continues to focus on issues which affect the Royal Household's risk management. This includes regular review and scrutiny of the Household's management accounts and major projects such as the Buckingham Palace Reservicing programme. Other thematic issues which are often discussed include Cyber security, Property, Helicopter procurement and Environment/Sustainability. The consequences of the Covid-19 pandemic have continued to be a focus of the Lord Chamberlain's Committee, however, the Transition Project Group, established at the height of the pandemic to support the Lord Chamberlain's Committee, has now been reformed to focus on operational issues related to the ongoing challenges of the pandemic. On wider staff matters, the Lord Chamberlain's Committee received updates on Learning and Development initiatives and having set the direction, monitored progress on the Household's Inclusion and Diversity Plan. The Lord Chamberlain's Committee also received regular updates on preparations for The Queen's Platinum Jubilee celebrations.

### **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. In 2021 a review of the Lord Chamberlain's Committee and Sovereign Grant Planning Committee was undertaken. The outcome will see a new Operations Committee and a Risk Committee created in place of the Sovereign Grant Planning Committee. These two sub-committees will support an improved approach to strategic risk oversight and decision making. Over the past 12 months, the Lord Chamberlain appointed two external Non-executive members to the LCC.

## **GOVERNANCE – AUDIT, RISK AND INTERNAL CONTROLS**

### *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. 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 robust policies and 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 Audit and Risk Assurance Committee have a broad range of experiences relevant to the Royal Household's activities. The membership of the Committee is set out below with the attendance record for the year:

### **Audit & Risk Assurance Committee Meetings attended**

Mr John Coombe (Chair until 31 August 2021)	4/4
Ms Sharmila Nebhrajani (Chair from 1 September 2021)	1/2
Mr Malcolm Reading	4/4
Ms Jacky Wright	4/4

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 Director of Property, Head of Risk and Compliance (in 2022-23 this role will be split between the Head of Fire, Health and Safety and the Head of Sustainability), Head of Royal Travel, the Director of Security Liaison and the Chief Information Officer, who is responsible for Information Assurance and Cyber Security. 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.

### **Governance Activities during the year**

A programme of internal audit work for the twelve-month period beginning 1 April 2021 was agreed by the Audit and Risk Assurance Committee at its meeting held on 22 March 2021. The Audit and Risk Assurance Committee reviews internal audit reports at each meeting. At the meetings held in November 2021 and March 2022, 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 Procurement, Information Security Controls and Accounts Payable.

The Head of Audit Services' annual audit opinion on the overall adequacy and effectiveness of the risk management, control and governance processes is "Limited" reflecting the Internal Audit programme this year which identified some areas for improvement in the framework of governance and risk management related to IT services. In response, a new Digital Services function has been created and a remediation plan is in progress and being regularly monitored by the Audit and Risk Assurance Committee.

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 2022-23 and provided assurance to the Lord Chamberlain's Committee as to the reasonableness of any proposed changes.

Matters considered by the Audit and Risk Assurance Committee to be significant to the 2021-22 financial statements included accruals for Property and Resourcing work.

#### *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.

#### *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 reviewed and updated annually by the Lord Chamberlain's Committee.

## GOVERNANCE – RISK MANAGEMENT

### **The Household's Approach to Risk Management**

The Performance Report and the Governance Statement lay out in some detail the risks faced by the Royal Household and how they are managed through the relevant expert committees.

These risks are highlighted, summarised and monitored in the Royal Household Risk Register as Strategic and Operational Risks. Strategic Risks relate to the Monarch's role as Head of Nation and Head of State, together with risks regarding compliance with the Sovereign Grant Act. Strategic Risks and critical Operational Risks are reviewed by the Lord Chamberlain's Committee quarterly.

The Sovereign Grant Planning Committee review Operational Risks at each meeting, ensuring that any Operational Risks which become critical over time are highlighted and reported to the Lord Chamberlain's Committee. This allows the Lord Chamberlain's Committee and the Audit and Risk Assurance Committee to focus on the most important, top-level risks facing the organisation and in particular the identification of emerging risks.

Each risk owner reviews the departmental risks to assess whether the risk rating remains appropriate, or to add new controls and actions as necessary.

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:	<p>An increase in the proportion of the Estate below target condition and increased risk of failure of facilities.</p> <p>The Buckingham Palace Reservicing programme is not completed within 10 years, within budget and to specification.</p> <p>The operational risk to the delivery of The Queen's and other members of the Royal Family's programmes.</p> <p>Limiting public access to Buckingham Palace and the other Occupied Royal Palaces.</p>
Principal mitigations:	<p>Annual review and update of property maintenance and major project programme.</p> <p>Established project management framework and monthly reviews of all projects by the Property Management Board.</p> <p>Comprehensive and transparent governance by project boards for larger projects including the Reservicing of Buckingham Palace.</p> <p>Regular independent condition assessments for the Estate.</p> <p>Ongoing review of Buckingham Palace Reservicing Programme to deliver programme efficiently to cost, time and specification.</p>
Residual risk rating:	Medium (2020-21: Medium)

*Financial Risks*

Risk 1:	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 (2020-21: Low)
Risk 2:	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, including cost saving measures. Focus on maintaining the momentum of the Reservicing programme and phasing Core and Reservicing costs to match the funding available. Sovereign Grant Reserve.
Residual risk rating:	High (2020-21: 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:	<p>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.</p> <p>Feedback exercises to assess recruitment, onboarding and employment policies and practices.</p> <p>Management and leadership development programmes promote a positive and inclusive working culture with high levels of staff engagement.</p> <p>Feedback from employees has helped shape a revised strategy for Inclusion and Diversity with the creation of a new Inclusion and Diversity working group and grass roots networks continuing to support initiatives to underpin progress on representation and the creation of an inclusive culture.</p> <p>Workforce planning, supported by learning and development programmes anticipates and delivers both current and future organisational resourcing needs.</p> <p>Internal communications throughout the employee experience within the Royal Household support the creation of an inclusive culture demonstrating the Employer attributes of</p> <p>Pride in Performance,</p> <p>a Shared and Unique Purpose,</p> <p>a Sense of Guardianship,</p> <p>a Place to Grow,</p> <p>Pushing Things Forward and</p> <p>a Diverse Household.</p>
Residual risk rating:	Medium (2020-21: Medium)

### *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 (2020-21: 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 the departmental business need driving the requirement for staff to work onsite or individuals being able to work from home. 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 (2020-21: 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 and monitored ‘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. Regular Fire Brigade familiarisation visits continue to occur across the estate.

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 (2020-21: 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.

*Information Risks*

Risk:	Unauthorised access to Royal Household data.
Impact:	Reputation and financial damage, combined with adverse media attention.
Principal mitigations:	<p>Whilst existing mitigations provide a satisfactory level of defence, the LCC approved a new Cyber Security Strategy, based on the National Institute of Technology (NIST) Information Security Framework, with the aim of further strengthening controls. The NIST framework covers 5 areas: Identify; Protect; Detect; Respond; Recover. The Identify stage: Mapping out the services and assessing the information security risks is in progress. Once these risks have been documented the appropriate level of Protect and Detect will be implemented.</p> <p>Training in information security and data protection is carried out at induction and through regular training updates through the Royal Household's Learning Management System.</p> <p>Promotion of an Information Assurance awareness culture throughout the Household, linking to incident reporting and investigation procedures.</p> <p>The Royal Household IT systems continue to follow Information Technology Infrastructure Library (ITIL) practices and the NIST framework</p>
Residual risk rating:	<p>High (2020-21: High)</p> <p>The risk rating is a reflection of the external threat landscape, and the continuing progress on the audit remediation plan.</p>

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

## GOVERNANCE – ACCOUNTING OFFICER’S 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.

### **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 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 at each meeting by the Lord Chamberlain's Committee, in order to identify emerging risks or changes in risk assessments. The operational risk register is reviewed regularly by the Sovereign Grant Planning Committee and departmental management teams. The Audit and Risk Assurance Committee reviews the strategic risk register, together with critical operational risks.
- 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 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 Digital Services 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 bi-monthly 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.

## **SUMMARY**

The Covid-19 pandemic continued to impact the Royal Household's operations throughout the year, but the measures put in place in the previous year ensured the protection of members of the Royal Family, our staff and contractors. The Royal Household continued to operate in a hybrid manner with more staff fully on site and others working proportionately on site and remotely. Revised operating protocols for those on site 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 has been at the core of our planning throughout the year.

The Lord Chamberlain's Committee's review of the Royal Household's governance framework during the year recommended the establishment of an Operations Board and Risk Committee in place of the Sovereign Grant Planning Committee. This planned restructuring will more clearly de-lineate the responsibilities of the Lord Chamberlain's Committee and the Sovereign Grant Planning Committee/Operations Board as well as strengthen the Royal Household's risk management processes.

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 Transition Project Group, established at the outbreak of the Covid-19 pandemic has continued to provide effective support to the Lord Chamberlain's Committee, ensuring that the Royal Household was able to adapt to changing circumstances throughout the year and conduct its activities in accordance with public health guidelines.

The creation of a new Digital Services function (formerly IT and Telecommunications) following the appointment of a Chief Information Officer and the establishment of a Chief Information Security Officer role, is seen as a significant step in the re-organisation of the Royal Household's technology services and the continued development of the Royal Household's cyber security strategy.

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.

We have considered all our activities during the year and confirm that they are in accordance with the legislation authorising them.

**Sir Michael Stevens**  
Keeper of the Privy Purse  
15 June 2022

## 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 three months. The Lord Chamberlain's contract is fixed term. 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)	
	2022	2021	2022	2021	2022	2021
<b><i>Year to 31 March (audited)</i></b>						
£'000						
The Lord Parker of Minsmere	130- 135	-	110- 115	-	18	-
<i>Full time equivalent salary</i>			190- 195	-		
The Rt Hon. The Earl Peel	-	100- 105	-	90- 95	-	14
<i>Full time equivalent salary</i>			-	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
<i>Full time equivalent salary</i>			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 Lord Parker of Minsmere, 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 (2021-22: Ms Sharmila Nebhrajani £0-5,000, Mr John Coombe £5,000-10,000; 2020-21: Ms Dawn Austwick £0-5,000).

Ms Carol Hui is a Non-executive member of the Lord Chamberlain's Committee and is remunerated for attendance at meetings.

## Fair Pay Disclosure (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's staff.

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 rent 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:

<b>As at 31 March (audited)</b>	<b>2022</b>	<b>2021</b>
Remuneration range of all staff (FTE)	<b>£18,980-£210,000 to £215,000</b>	£18,567-£245,000 to 250,000

In 2021-22 no member of staff received remuneration in excess of the highest paid LCC member (2020-21: one).

Remuneration increase from previous financial year:

Highest paid LCC member	<b>0.0%</b>	0.0%
Average of all staff, excluding the highest paid LCC member (FTE)	<b>2.9%</b>	3.2%

The banded remuneration of the highest paid LCC member was £210,000-£215,000 (2020-21 £210,000-£215,000). This was:

- 5.3 times the 75<sup>th</sup> percentile remuneration of the other staff, which was £40,000 (2020-21: 5.5 times, £38,763).
- 7.3 times the median (50<sup>th</sup> percentile) remuneration of the other staff, which was £29,000 (2020-21: 7.7 times, £27,767, which is £40 more than was stated last year).
- 9.1 times the 25<sup>th</sup> percentile remuneration of the other staff, which was £23,250 (2020-21: 9.3 times, £23,000).

The year-on-year reduction in all three ratios is attributable to a change in the pay and benefits of the employees taken as a whole (excluding the highest paid LCC member). This is consistent with the year-on-year increases in remuneration for the highest paid LCC member of 0.0% and for all staff excluding the highest paid LCC member of 2.9%.

## **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. Inclusion and Diversity 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.

Work has continued to ensure that the LCC endorsed strategy to support Inclusion and Diversity is further advanced. In 2021 activity has continued to build awareness with a listening exercise examining employee experiences, along with recruitment and selection process improvements. Initiatives included promotion of LGBTQ+, Black History Month and International Women's Day. Revised diversity targets have been agreed and the Inclusion and Diversity action plan enhanced. The role of leadership in building an inclusive culture continues to be critical, with leaders focussing 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 95. There have been no claims under the Coronavirus Job Retention Scheme.

<i>Year to 31 March (audited)</i>	<b>2022</b>	2021	<b>2022</b>	2021	<b>2022</b>	2021
	Permanent		Fixed term contract		<b>Total</b>	
Average number of Full Time Equivalent (FTE) staff paid from the Sovereign Grant	<b>476</b>	499	<b>15</b>	9	<b>491</b>	508
					<b>£m</b>	£m
Cost of FTE staff					<b>23.7</b>	24.1
External consultancy spend					<b>0.7</b>	0.9
Agency staff costs (mostly related to Reservicing)					<b>2.8</b>	2.6

There were 7 exit packages for agreed departures in the year (2020-21: 5) split as follows (paid for by the Sovereign Grant and excluding any element paid for by any other sources of income):

<i>Year to 31 March (audited)</i>	<b>2022</b>	2021
< £10,000	<b>1</b>	2
£10,001 to £25,000	<b>1</b>	1
£25,001 to £50,000	<b>4</b>	1
£50,001 to £75,000	<b>1</b>	1
Total no. of exit packages	<b>7</b>	5
	<b>=====</b>	<b>=====</b>
Expenditure on exit packages (£'000)	<b>244</b>	114
	<b>=====</b>	<b>=====</b>

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

<b><i>As at 31 March (unaudited)</i></b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>Men</b>		<b>Women</b>		<b>Total</b>	
Equivalent to Senior Civil Service grades, including members of the Lord Chamberlain's Committee	<b>25</b>	25	<b>11</b>	9	<b>36</b>	34
	<b>69%</b>	74%	<b>31%</b>	26%	<b>100%</b>	100%
Other grades	<b>248</b>	254	<b>279</b>	268	<b>527</b>	522
	<b>47%</b>	49%	<b>53%</b>	51%	<b>100%</b>	100%
Total number of FTE staff	<b>273</b>	279	<b>290</b>	277	<b>563</b>	556
	<b>48%</b>	50%	<b>52%</b>	50%	<b>100%</b>	100%
Membership of The Lord Chamberlain's Committee	<b>8</b>	10	<b>3</b>	2	<b>11</b>	12
	<b>73%</b>	83%	<b>27%</b>	17%	<b>100%</b>	100%
Membership of the Sovereign Grant Planning Committee	<b>6</b>	8	<b>9</b>	8	<b>15</b>	16
	<b>40%</b>	50%	<b>60%</b>	50%	<b>100%</b>	100%
Membership of the Audit & Risk Assurance Committee	<b>2</b>	2	<b>2</b>	1	<b>4</b>	3
	<b>50%</b>	67%	<b>50%</b>	33%	<b>100%</b>	100%
Average number of days of employee absence due to sickness					<b>5.4</b>	3.4

The mean gender pay gap for the Royal Household (excluding staff employed by Royal Collection Enterprises Limited) at 5 April 2021 is 8.57% (9.02% April 2020). The mean national gender pay gap in 2020 is 15.4% (ONS October 2021).

For the whole Royal Household:

<i><b>As at 31 December (unaudited)</b></i>	<b>2021</b>	2020	
Proportion of ethnic minority employees 92.8% data declaration rate (2020: 92.3%)	<b>9.0%</b>	8.5%	2022 target is 10%.
 <i><b>As at 31 March (unaudited)</b></i>	 <b>2022</b>		
Proportion of ethnic minority employees 94.2% data declaration rate	<b>9.6%</b>		

**Sir Michael Stevens**  
Keeper of the Privy Purse  
15 June 2022

# 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 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 Stevens**

Keeper of the Privy Purse

15 June 2022

# 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 Royal Household in respect of the Sovereign Grant and the Sovereign Grant Reserve for the year ended 31 March 2022 under the Sovereign Grant Act 2011. The financial statements comprise:

- the Statement of Financial Position as at 31 March 2022;
- the Statement of Income and Expenditure, Statement of Other Comprehensive Income and Expenditure, Statement of Cash Flows, Statement of Changes in Reserves for the year then ended;
- the Royal Trustees' statement in respect of the Sovereign Grant Reserve presented under Section 4 of the Sovereign Grant Act 2011; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

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 2022 and the total net expenditure for the year then ended;
- the statement of accounts of the Royal Household in respect of the Sovereign Grant has been properly prepared in accordance with Section 2 of the Sovereign Grant Act 2011 and HM Treasury directions issued thereunder; and
- the statement of accounts of the Sovereign Grant Reserve has been properly prepared in accordance with Section 4 of 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 (UK) (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.

<i>Framework of Authorities</i>	
<b><i>Authorising legislation</i></b>	<b><i>The Sovereign Grant Act 2011</i></b>
<b><i>HM Treasury and related authorities</i></b>	<b><i>Managing Public Money</i></b> <b><i>Framework Agreement between the Royal Household and HM Treasury relating to the Sovereign Grant</i></b>

### **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 is appropriate.

My evaluation of the Lord Chamberlain’s Committee’s assessment of the continued appropriateness of adopting the going concern basis of accounting included obtaining sufficient appropriate audit evidence to conclude that:

- 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 requires 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; and
- the Lord Chamberlain’s Committee’s assessment of the going concern basis of accounting and the resources available to enable The Queen to continue to undertake Her Official Duties, is appropriate in the circumstances.

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 appropriateness of adopting the going concern basis of accounting 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 in the Annual Report and financial statements about whether the Lord Chamberlain's Committee considered it appropriate to adopt 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 financial statements of the Royal Household in respect of the Sovereign Grant and the 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, including those 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 the audit of the financial statements as a whole and in forming my opinion thereon. I do not provide a separate opinion on these matters.

I have determined that there are no other key audit matters to communicate in my certificate and report.

This is not a complete list of all risks identified through the course of 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 risk of material misstatement due to fraud through 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 42.

In this year's report, a new key audit matter is described below relating to Migration of the financial reporting system to the Cloud, which was not a key audit matter for my 2020-21 audit.

## 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 that a significant proportion of work occurs in concentrated parts of the financial year. This risk is particularly focussed on year-end accruals and the related expenditure which involve management judgement in relation to the estimated stage of completion of works.

I placed particular focus on:

- whether transactions have been recorded in the correct financial year;
- the completeness and existence of year-end accruals;
- the valuation of year end accruals which involve management judgement; and
- the auditor's objective under ISA (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 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 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.

I have performed a risk assessment of the AWP accruals population and tested a sample of accruals to confirm these are appropriate and supported by evidence. I have also undertaken procedures, including review of project activity and payments after the reporting date and enquiries of management to assess the completeness of the AWP accruals 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 is appropriately recognised in the financial statements in 2021-22.

## 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 £86.3 million (£85.9 million in 2020-21), of which £34.5 million was for Reservicing (£34.4 million in 2020-21).

This is a high-profile and large-scale programme and I consider that the risk for the financial statements is particularly focussed on the year-end accruals and related expenditure, which involve management judgement in relation to the estimated stage of completion of works at the reporting date. I have placed particular focus on:

- whether transactions have been recorded in the correct financial year;
- the completeness and existence of year-end accruals;
- the valuation of year end accruals which involve management judgement; and
- the auditor's objective under ISA (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 2022 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 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 as 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.

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

I have performed a risk assessment of the BPR accruals population and tested a sample of accruals to confirm these are appropriate and supported by evidence. I have also undertaken procedures to assess the completeness of accruals related to the Reservicing programme as at 31 March 2022.

#### 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 2021-22 financial statements.

## Royal Households Group Pension Scheme

### Description of risk

The Sovereign Grant has a £1.3 million net pension asset (£0.2 million liability in 2020-21) in relation to its participation in the Royal Households Group Pension Scheme. This is comprised of gross pension assets of £38.3 million (£36.4 million in 2020-21) and a scheme liability of £37.0 million (£36.6 million in 2020-21).

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.

This is the first year that the Sovereign Grant has recognised a net pension asset. I therefore adapted my risk assessment during the year to include consideration of management’s application of financial reporting standards with respect to net pension assets and, in particular, IFRIC Interpretation 14 “IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”.

### How the scope of my audit responded to the risk

I have assessed the design of the controls that management have put in place with respect to the valuation of the net pension asset. I have confirmed that these are designed appropriately and are adequately implemented.

I have tested the assets and liabilities of the pension scheme attributable to Sovereign Grant and The Sovereign Grant Reserve. 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 documented and assessed the use of experts by management in arriving at the valuation of the net pension asset as 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. I have confirmed that management’s experts have used assumptions that fall within industry standard ranges.

I have also assessed the governance arrangements between the employer and the scheme administrator, including 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 appropriateness of assumptions adopted by management to confirm that this estimate is reasonable and has been adequately disclosed within the financial statements.

	<p>I have agreed the valuation of the Scheme assets to returns provided by the Investment Managers and have confirmed the robustness of these valuations through my own independent review of asset pricing. I have also confirmed the appropriate disclosures are in place.</p> <p>I have considered whether it is appropriate for management to recognise a net pension asset and the application of the requirements of IFRIC Interpretation 14 “IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”.</p> <p><b>Key observations</b></p> <p>I did not identify any errors in relation to the defined benefit liability and I am content that the net asset as at 31 March 2022 and related movements during the year have been appropriately recognised within the financial statements.</p>
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## Migration of the financial reporting system to the Cloud

### Description of risk

During the financial year the Royal Household has migrated the financial reporting system to the Cloud.

The Royal Household has set up a new server in the Cloud and has undertaken a fresh installation of the financial reporting system. Additionally, configurations have been newly established and master data such as suppliers, users and segregation of duties added. There is a risk to the completeness and accuracy of data relevant to financial reporting as a result.

In response, I recognised a significant risk of material misstatement. with respect to the migration of the financial reporting system to the Cloud.

### How the scope of my audit responded to the risk

I have understood the processes and methods applied in the migration, including the design and implementation of migration controls and governance arrangements.

I have drawn on IT audit expertise in designing and performing my procedures in response to this identified risk.

I have reviewed management's reconciliation of ledger data supporting the completeness and accuracy of the data transfer to confirm that the data migration was successful.

I also reviewed the evidence of management's consideration of data integrity and user acceptance testing to confirm that any issues identified have been resolved on a timely basis.

#### Key observations

Based on the evidence received, I have concluded that no material error exists as a result of the migration of the financial system and rebuild within the Cloud.

## 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:

<b>Materiality</b>	£863,000
<b>Basis for determining materiality</b>	1% of the 2021-22 Sovereign Grant funding of £86.3 million (2020-21: 1% of the 2019-20 Sovereign Grant funding of £85.9 million)
<b>Rationale for the benchmark applied</b>	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 69% of materiality for the 2021-22 audit (2020-21: 65%). In determining performance materiality, I have considered the uncorrected misstatements identified in the previous period.

### *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. We also report to the Audit and Risk Assurance Committee on disclosure matters that we 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 £266,000.

### **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 Annual Report, but does not include 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 report, 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, the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Sovereign Grant Act 2011.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Sovereign Grant Act 2011;
- 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 and is in accordance with the applicable legal requirements.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the Royal Household and the Sovereign Grant Reserve and their 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:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Keeper of the Privy Purse and the Royal Trustees 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Corporate Governance statement**

The Listing Rules require me to review the Lord Chamberlain's Committee'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 Statement 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 34;
- 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 34;
- the Keeper of the Privy Purse's statement on fair, balanced and understandable set out on page 62;

- 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 been carried out set out on pages 43-49 and 52-53;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 51; and
- the section describing the work of the Audit and Risk Assurance Committee set out on pages 39-42.

### **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:

- maintaining proper accounting records; and
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view; and
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable; and
- internal controls as the Accounting Officer determines is necessary to enable the preparation of the financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing the continued appropriateness of adopting the going concern basis of accounting, 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 to which transactions and balances recorded in the financial statements relate 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.

***Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud***

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. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud, is detailed below.

***Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud***

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I considered the following:

- the nature of the sector, control environment and operational performance including the design of the accounting policies.
- inquiring of management, the Head of Audit Services and those charged with governance, including obtaining and reviewing supporting documentation relating to the Royal Household'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 non-compliance with laws and regulations including the Royal Household's controls relating to compliance with the Sovereign Grant Act 2011, Managing Public Money and the Framework Agreement between the Royal Household and HM Treasury relating to the Sovereign Grant;
- discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Royal Household for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and transactions which are unusual or outside the normal course of business. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I also obtained an understanding of the Royal Household's framework of authority in respect of the Sovereign Grant and the Sovereign Grant Reserve as well as other legal and regulatory frameworks in which the Royal Household operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations funded by the Sovereign and the 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 between the Royal Household and HM Treasury relating to the Sovereign Grant, employment law and tax, health and safety and pension legislation.

In addition, I used analytical procedures to identify any unusual or unexpected relationships and transactions.

#### ***Audit response to identified risk***

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and the Audit and Risk Assurance Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Lord Chamberlain's Committee and internal audit reports;
- members of the audit team attending all Audit and Risk Assurance Committee meetings;
- confirming that the Sovereign Grant received in 2021-22 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 are indicative of a potential bias, including the defined pension benefit liability and accruals for the Buckingham Palace Reservicing and Annual Works Programmes; 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 and the Facilities Management Charge 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

***Other auditor's responsibilities***

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

22 June 2022

# FINANCIAL STATEMENTS

## STATEMENT OF INCOME AND EXPENDITURE

<i>Year to 31 March</i>		<b>Core</b>	<b>Reservicing</b>	<b>2022</b>	2021
	Note	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Funding receivable<sup>1</sup>:</b>					
Grants		<b>51.8</b>	<b>34.5</b>	<b>86.3</b>	85.9
<b>Income</b>					
Property rental income	2	<b>3.3</b>	-	<b>3.3</b>	3.4
Facilities management charges	2	<b>0.4</b>	-	<b>0.4</b>	(0.2)
Recharges for functions and other income	2	<b>6.2</b>	-	<b>6.2</b>	6.2
		<b>9.9</b>	-	<b>9.9</b>	9.4
<b>Expenditure</b>					
Payroll costs	2,4	<b>(22.0)</b>	<b>(1.7)</b>	<b>(23.7)</b>	(24.1)
Other staff costs	2,4	<b>(1.4)</b>	<b>(2.4)</b>	<b>(3.8)</b>	(3.3)
Property maintenance	2	<b>(16.1)</b>	<b>(47.8)</b>	<b>(63.9)</b>	(49.5)
Travel	2	<b>(4.5)</b>	-	<b>(4.5)</b>	(3.2)
Utilities	2	<b>(3.2)</b>	-	<b>(3.2)</b>	(3.2)
Housekeeping and hospitality	2	<b>(1.3)</b>	-	<b>(1.3)</b>	(0.9)
Digital services (formerly IT & T)	2	<b>(2.9)</b>	<b>(0.3)</b>	<b>(3.2)</b>	(3.7)
Depreciation	2,8	<b>(2.0)</b>	<b>(1.4)</b>	<b>(3.4)</b>	(3.3)
Other	2,3	<b>(4.3)</b>	<b>(1.0)</b>	<b>(5.3)</b>	(5.7)
		<b>(57.7)</b>	<b>(54.6)</b>	<b>(112.3)</b>	(96.9)
<b>Total net expenditure</b>		<b>(47.8)</b>	<b>(54.6)</b>	<b>(102.4)</b>	(87.5)
<b>Sovereign Grant funding less net expenditure transferred (from)/to Sovereign Grant Reserve</b>		<b>4.0</b>	<b>(20.1)</b>	<b>(16.1)</b>	(1.6)

The accounting policies are summarised on pages 84 to 92. 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 79 to 82. The notes on pages 84 to 115 form part of these accounts. The results shown above relate to continuing activities.

<sup>1</sup> In accordance with the Accounts Direction issued by HM Treasury (See Appendix 3 page 119), 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

<i>Year to 31 March</i>	Note	<b>Core £m</b>	<b>Reservicing £m</b>	<b>2022 £m</b>	2021 £m
<b>Sovereign Grant funding less net expenditure after transfer of (deficit)/surplus (from)/to Sovereign Grant Reserve</b>		-	-	-	-
Actuarial (loss)/gain for the year (Royal Households Group Pension Scheme)	5	<b>1.3</b>	-	<b>1.3</b>	(0.3)
Total recognised (losses)/gains relating to the year		<b>1.3</b>	-	<b>1.3</b>	(0.3)

STATEMENT OF FINANCIAL POSITION

<i>As at 31 March</i>		<b>2022</b>	2021
	Note	<b>£m</b>	£m
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>28.4</b>	30.4
Intangible assets	7	<b>0.7</b>	0.3
<b>Total non-current assets</b>		<b>29.1</b>	30.7
<b>Current assets</b>			
Inventories	9	<b>0.4</b>	0.5
Trade and other receivables	10	<b>3.7</b>	3.7
Cash and cash equivalents	11	<b>45.1</b>	60.7
<b>Total current assets</b>		<b>49.2</b>	64.9
<b>Total assets</b>		<b>78.3</b>	95.6
<b>Current liabilities</b>			
Trade and other payables	12	<b>(16.0)</b>	(17.0)
<b>Net assets excluding pension scheme asset/(liability)</b>		<b>62.3</b>	78.6
Defined benefit pension scheme asset/(liability)	5	<b>1.3</b>	(0.2)
<b>Net assets</b>		<b>63.6</b>	78.4
<b>Reserves</b>			
Non-current assets reserve		<b>29.1</b>	30.7
Other retained reserve		<b>2.4</b>	2.5
Sovereign Grant reserve		<b>30.8</b>	45.4
Pension scheme reserve		<b>1.3</b>	(0.2)
<b>Total reserves</b>		<b>63.6</b>	78.4

**Sir Michael Stevens**

Keeper of the Privy Purse

15 June 2022

STATEMENT OF CASH FLOWS

<i>Year to 31 March</i>		2022	2022	2021	2021
	Note	£m	£m	£m	£m
<b>Reconciliation of total net expenditure to funding</b>					
Total net expenditure	2		(102.4)		(87.5)
Retirement benefits adjustment	5	(0.2)		(0.3)	
Depreciation and amortisation	7,8	3.5		3.3	
Decrease/(increase) in inventories	9	0.1		-	
Decrease/(increase) in receivables	10	-		11.7	
(Decrease)/increase in payables	12	(1.0)		1.7	
Disposal of assets	8	0.1		0.1	
			2.5		16.5
<b>Net cash outflow from operating activities</b>			<b>(99.9)</b>		<b>(71.0)</b>
<b>Cash flows from investing activities</b>					
Capital expenditure	7,8	(2.0)		(3.8)	
<b>Net cash outflow from investing activities</b>			<b>(2.0)</b>		<b>(3.8)</b>
<b>Net cash outflow before funding</b>			<b>(101.9)</b>		<b>(74.8)</b>
<b>Cash flows from financing activities</b>					
Grant funding received		86.3		85.9	
<b>Net cash inflow from financing activities</b>			<b>86.3</b>		<b>85.9</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	11		<b>(15.6)</b>		<b>11.1</b>
<b>Reconciliation of cash and cash equivalents</b>					
			2022		2021
			£m		£m
As at 1 April			60.7		49.6
Net (decrease)/increase			(15.6)		11.1
<b>As at 31 March</b>			<b>45.1</b>		<b>60.7</b>

STATEMENT OF CHANGES IN RESERVES

	<b>Non-current assets reserve</b>	<b>Other retained reserve</b>	<b>Sovereign Grant reserve</b>	<b>Pension scheme reserve</b>	<b>Total reserves</b>
	£m	£m	£m	£m	£m
As at 1 April 2021	30.7	2.5	45.4	(0.2)	78.4
Actuarial gain on RH Group Pension Scheme	-	-	-	1.3	1.3
<b>Sovereign Grant funding less net expenditure transferred (from)/to Sovereign Grant Reserve</b>	-	-	(16.1)	-	(16.1)
Transfers between reserves	(1.6)	(0.1)	1.5	0.2	-
As at 31 March 2022	<b>29.1</b>	<b>2.4</b>	<b>30.8</b>	<b>1.3</b>	<b>63.6</b>

	<b>Non-current assets reserve</b>	<b>Other retained reserve</b>	<b>Sovereign Grant reserve</b>	<b>Pension scheme reserve</b>	<b>Total reserves</b>
	£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)
<b>Sovereign Grant funding less net expenditure transferred (from)/to Sovereign Grant Reserve</b>	-	-	(1.6)	-	(1.6)
Transfers between reserves	0.4	-	(0.7)	0.3	-
As at 31 March 2021	<b>30.7</b>	<b>2.5</b>	<b>45.4</b>	<b>(0.2)</b>	<b>78.4</b>

## SOVEREIGN GRANT RESERVE

<b>Sovereign Grant Reserve</b>	<b>Core</b>	<b>Reservicing</b>	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Balance brought forward	<b>10.8</b>	<b>34.6</b>	<b>45.4</b>	47.7
Transfer to/(from) reserve	<b>4.0</b>	<b>(20.1)</b>	<b>(16.1)</b>	(1.6)
Transfer from other retained reserve	<b>0.1</b>	-	<b>0.1</b>	-
Transfer (to)/from pension scheme reserve	<b>(0.2)</b>	-	<b>(0.2)</b>	(0.3)
Transfer from/(to) non-current assets reserve	<b>1.0</b>	<b>0.6</b>	<b>1.6</b>	(0.4)
Balance carried forward	<b>15.7</b>	<b>15.1</b>	<b>30.8</b>	45.4

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 2022 is 30% of the audited net relevant expenditure at the end of the year and based on planned expenditure in 2022-23, the expected Reserve at 31 March 2023 is not expected to meet the criteria for a potential reduction in the future grant.

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](http://www.royal.uk).

**Sir Michael Stevens**

Keeper of the Privy Purse

15 June 2022

# 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 119 to 121) 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 2021-22 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.

Under the FReM, the continued provision of service assumption applies to the going concern assessment of the Sovereign Grant and Sovereign Grant Reserve. Further commentary on the assessment of the adequacy of the Sovereign Grant to enable The Queen to continue to undertake Her Official Duties for the foreseeable future is included on page 34 of the Annual Report.

HM Treasury have adapted IAS 16 Property, Plant and Equipment to reflect the requirements of IFRS 13. Overall, these adaptations 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 is effective for periods beginning on or after 1 January 2019, however the implementation date for entities reporting under the FReM differs, with the IFRS becoming 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 falling under an exception whereby there is a short-classified lease term of 12 months or less, or the underlying asset has a low value. This differs 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 now also have an impact on the Statement of Financial Position in the form of right of use assets and corresponding lease liabilities. The Sovereign Grant will apply the simplified transition approach and therefore will not re-state 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 in anticipation of implementation of the IFRS in the next accounting period. Right of use assets to be recognised as at 1 April 2022 include multiple vehicles, the provision, maintenance and storage of the Royal Train and one helicopter (a second helicopter is owned and not leased).

Regarding lease exemptions in line with IFRS 16, there are 4 leases that have been classified as being short-term and therefore exempt from inclusion. No low-value leases have been excluded. Each new and existing lease contract as at the date of initial application of 1 April 2022 has been reassessed for the accurate recognition of a lease, ensuring that the right to obtain substantially all of the economic benefits, along with the right to direct the use of an identified asset, is to be transferred for an agreed period of use.

Net present value calculations have been determined for each corresponding recognised lease for the purpose of computing appropriate values for the right of use assets and lease liabilities and an incremental borrowing rate of approximately 2.26% has been deemed appropriate for use in calculations for all leased assets.

As at 1 April 2022. It is estimated that right of use assets of approximately £7.7 million are to be recognised, with associated lease liabilities of approximately £7.7 million, resulting in no overall impact on net assets and Reserves. Within the 2022-23 Statement of Income and Expenditure, rental expenses of £1.3m will be substituted by depreciation amounts on the right of use assets of £1.3m, and interest amounts on the lease liability of £0.1m will result in net increased expenditure of approximately £0.1m.

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 119), 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 were fully waived for 2020-21 and for almost two months of 2021-22.

**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 was recognised as income within that 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 was recognised in the Income and Expenditure Account for 2020-21, in accordance with the related performance obligation to provide accommodation. This was included within Property rental income.

The licence was 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 was treated as deferred income under current liabilities in the Statement of Financial Position and has been released to the Income and Expenditure Account in the year to 31 March 2022 as it has been earned and the related performance obligation to provide accommodation is met.

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

There is no deferred income at 31 March 2022.

### **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 119).

### **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 under the Crown Lands Act 1702 cannot be sold. 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<sup>1</sup> 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

### **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

<sup>1</sup> General building improvements includes new buildings and conversion of bedrooms to offices.

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 2022 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 in 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 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 asset or 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 were enrolled in the defined contribution scheme unless they chose 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 asset or deficit at the year end. If deficit, 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.

#### **l) 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 Royal Household's property management team. Annual works programme project accruals at 31 March 2022 were £1.1 million (2020-21: £1.7 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 BPR Programme Management Office programme managers. BPR programme accruals at 31 March 2022 are £6.5 million (2020-21: £6.6 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.

## 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.

<i>Year to 31 March 2022</i>	<b>PSO</b>	<b>PPTO</b>	<b>MOH</b>	<b>LCO</b>	<b>BPR</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Income</b>						
Property rental income	-	3.3	-	-	-	<b>3.3</b>
Facilities management charges	-	0.4	-	-	-	<b>0.4</b>
Recharges and other income (Note 15)	0.1	5.0	1.0	0.1	-	<b>6.2</b>
	<u>0.1</u>	<u>8.7</u>	<u>1.0</u>	<u>0.1</u>	<u>-</u>	<u><b>9.9</b></u>
<b>Expenditure</b>						
Payroll costs (Note 4)	(3.5)	(11.0)	(6.2)	(1.3)	(1.7)	<b>(23.7)</b>
Other staff costs (Note 4)	(0.5)	(0.6)	(0.2)	(0.1)	(2.4)	<b>(3.8)</b>
Property maintenance	-	(16.1)	-	-	(47.8)	<b>(63.9)</b>
Travel	-	(4.5)	-	-	-	<b>(4.5)</b>
Utilities	-	(3.2)	-	-	-	<b>(3.2)</b>
Housekeeping and hospitality	-	(0.1)	(1.2)	-	-	<b>(1.3)</b>
Digital services (formerly IT and telecommunications)	-	(2.9)	-	-	(0.3)	<b>(3.2)</b>
Depreciation (Note 8)	-	(2.0)	-	-	(1.4)	<b>(3.4)</b>
Other (Note3)	(0.6)	(3.2)	(0.3)	(0.2)	(1.0)	<b>(5.3)</b>
	<u>(4.6)</u>	<u>(43.6)</u>	<u>(7.9)</u>	<u>(1.6)</u>	<u>(54.6)</u>	<u><b>(112.3)</b></u>
<b>Total net expenditure</b>	<u><u>(4.5)</u></u>	<u><u>(34.9)</u></u>	<u><u>(6.9)</u></u>	<u><u>(1.5)</u></u>	<u><u>(54.6)</u></u>	<u><u><b>(102.4)</b></u></u>

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

### 3. Other Expenditure

	<b>2022</b>	<b>2022</b>	<b>2022</b>	2021
	<b>Core</b>	<b>BPR</b>	<b>Total</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Amortisation of software (Note7)	<b>0.1</b>	-	<b>0.1</b>	-
Equipment purchase and hire	<b>0.4</b>	<b>0.1</b>	<b>0.5</b>	0.5
Insurance, legal advice and other professional services	<b>1.8</b>	<b>0.2</b>	<b>2.0</b>	1.3
Printing, postage and stationery	<b>1.1</b>	-	<b>1.1</b>	0.7
Covid-19 related expenditure	-	-	-	2.1
Other	<b>0.9</b>	<b>0.7</b>	<b>1.6</b>	1.1
	<u><b>4.3</b></u>	<u><b>1.0</b></u>	<u><b>5.3</b></u>	<u>5.7</u>

Covid-19 expenditure in 2020-21 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 £105,000 was charged for the year by the National Audit Office (2020-21: £75,000). There were no non-audit fees paid to the auditors (2020-21: 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:

	2022	2021
Lord Chamberlain	1	1
Private Secretary's Office	68	67
Privy Purse and Treasurer's Office	166	171
Master of the Household's Department	172	186
Lord Chamberlain's Office	55	55
	<u>462</u>	<u>480</u>
Buckingham Palace Reservicing	29	28
	<u>491</u>	<u>508</u>

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. 15 were on fixed term contracts (2020-21: 9).

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	2022	2021
	£m	£m	£m	£m
Salaries	17.3	1.4	18.7	19.1
Temporary staff	0.1	-	0.1	0.1
National insurance	1.9	0.2	2.1	2.0
Pension contributions	2.7	0.1	2.8	2.9
	<u>22.0</u>	<u>1.7</u>	<u>23.7</u>	<u>24.1</u>

Further staff-related disclosure and details of the remuneration of members of the Lord Chamberlain's Committee can be found in the Remuneration and Staff Report on pages 54 - 60.

## Other Staff Costs

	Core	BPR	2022	2021
	£m	£m	£m	£m
Agency staff	0.4	2.4	2.8	2.6
Other (including staff travel, training, recruitment)	1.0	-	1.0	0.7
	<u>1.4</u>	<u>2.4</u>	<u>3.8</u>	<u>3.3</u>

## 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 and active members of the Royal Households Group Pension Scheme at 1 April 2021 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 2022 of £124.9 million (2020-21: £122.1 million) are disclosed in the Consolidated Fund Account. The Sovereign Grant funds the employment costs of 32 of the 38 active members of the scheme as at 31 March 2022. 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 2021-22, employer's contributions of £0.2 million were payable to the scheme (2020-21: £0.3 million). For 2022-23, 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 were 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 have been enrolled in the Royal Household Defined Contribution Worksave (Mastertrust) Pension Scheme unless they chose 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 2020 and showed a deficit of £15.1 million. Of this, £5.1 million was notionally attributable to the Sovereign Grant. The total market value of the assets of the whole scheme was £115.9 million and this value of assets was sufficient to cover 88% 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 remained at 30.4% of pensionable salaries in respect of current accrual for its employees until the closure of the scheme to future accrual on 31 March 2021 (2019-20: 30.4%). Thereafter, a lump sum payment of £0.2 million is due each year for six years from 1 April 2021 to 1 April 2026. It is assumed that these measures, along with investment returns from return-seeking assets, will be sufficient to eliminate the Sovereign Grant share of the past service deficit by 28 February 2027.

The results of the latest funding valuation at 31 December 2020 have been used for this disclosure, updated by an independent qualified actuary, to take account of experience over the period since 31 December 2020 changes in market conditions and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation was 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)	<b>2022</b>	2021	2020	2019	2018
Discount rate for scheme liabilities	<b>2.7</b>	2.1	2.3	2.4	2.6
Rate of general long-term increase in salaries	<b>3.8</b>	4.0	3.3	3.7	3.5
Rate of price inflation (RPI)	<b>3.5</b>	3.2	2.6	3.3	3.1
Rate of price inflation (CPI)	<b>2.8</b>	2.5	1.8	2.2	2.0
Rate of increase to pensions in payment	<b>3.3</b>	3.1	2.5	3.2	3.0

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)	<b>2022</b>	2021	2020	2019	2018
Life expectancy for male currently aged 65	<b>22.4</b>	21.5	21.6	21.5	22.6
Life expectancy for female currently aged 65	<b>24.7</b>	23.5	23.5	23.4	24.7
Life expectancy at 65 for male currently aged 45	<b>23.7</b>	22.8	22.9	22.8	24.3
Life expectancy at 65 for female currently aged 45	<b>26.1</b>	25.1	25.1	24.9	26.6
Transfer take-up: nil for all ages					

Scheme assets are stated at their market values at 31 March 2022.

#### **Reconciliation of funded status to the statement of financial position**

As at 31 March	<b>2022</b>	2021	2020	2019	2018
	<b>£m</b>	£m	£m	£m	£m
Fair value of scheme assets	<b>38.3</b>	36.4	31.7	33.0	31.0
Present value of funded defined benefit obligations	<b>(37.0)</b>	(36.6)	(31.9)	(34.7)	(34.1)
Net pension asset/(liability) recognised on the statement of financial position	<b>1.3</b>	(0.2)	(0.2)	(1.7)	(3.1)

There is a net pension asset of £1.3 million as at 31 March 2022. The amount of this net pension asset has a consequential effect on reserves.

When determining the asset recognised on the balance sheet, it has been assumed that the Sovereign Grant would be able to recover the surplus through a refund from the Scheme in the future. This reflects the provisions of the Scheme's documentation.

### Changes to the fair value of scheme assets during the year

As at 31 March	2022	2021
	£m	£m
Fair value of scheme assets as at the beginning of the year	36.4	31.7
Movement in year:		
Contributions by employer	0.3	0.6
Administration costs incurred	(0.1)	(0.1)
Net benefits paid out	(0.8)	(0.8)
	<u>(0.6)</u>	<u>(0.3)</u>
<i>Actual return on scheme assets:</i>		
Interest income on scheme assets	0.8	0.7
Re-measurement gains on scheme assets: return on scheme assets in excess of that recognised in net interest	1.7	4.3
	<u>2.5</u>	<u>5.0</u>
Fair value of scheme assets as at 31 March	<u><u>38.3</u></u>	<u><u>36.4</u></u>

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

As at 31 March	2022	2021	2020
	£m	£m	£m
UK equities	0.8	3.3	2.9
Overseas equities	16.0	15.5	11.0
Fixed interest gilts	2.9	2.7	3.6
Index-linked gilts	11.1	9.8	10.7
Property	3.7	3.0	3.0
Cash/net current assets	3.8	2.1	0.5
	<u><u>38.3</u></u>	<u><u>36.4</u></u>	<u><u>31.7</u></u>

**Changes to the present value of the defined benefit obligation during the year**

As at 31 March	2022	2021
	£m	£m
Defined benefit obligations at the beginning of the year	36.6	31.9
Movement in year:		
Current service cost	-	0.2
Interest expense on defined benefit obligations	0.8	0.7
Actuarial (gains)/losses on scheme liabilities arising from:		
changes in financial assumptions	(2.7)	5.3
changes in demographic assumptions	1.5	(0.1)
Experience	1.6	(0.6)
Net benefits paid out	(0.8)	(0.8)
Defined benefit obligations as at 31 March	<u>37.0</u>	<u>36.6</u>

**Analysis of the defined benefit obligation by membership category**

As at 31 March	2022	2021
	£m	£m
Current (“active deferred”) employee benefits	11.1	12.8
Deferred member benefits	11.1	12.1
Pensioner member benefits	14.8	11.7
Total defined benefit obligation	<u>37.0</u>	<u>36.6</u>

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 18.5 years.

## 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	2022	2021
	£m	£m
Deficit as at the beginning of the year	(0.2)	(0.2)
Movement in year:		
<i>Amounts (charged)/ credited against income and expenditure:</i>		
Contributions by employer	0.3	0.6
Current service cost	-	(0.2)
Administration costs incurred	(0.1)	(0.1)
Interest expense on defined benefit obligations	(0.8)	(0.7)
Interest income on scheme assets	0.8	0.7
<i>Pension expense recognised in Statement of Income and Expenditure</i>	<u>0.2</u>	<u>0.3</u>
<i>Amounts (charged)/ credited against other comprehensive income and expenditure:</i>		
Re-measurement gains on scheme assets: return on scheme assets in excess of that recognised in net interest	1.7	4.3
Actuarial gains/(losses) due to changes in financial assumptions	2.7	(5.3)
Actuarial (losses)/gains due to changes in demographic assumptions	(1.5)	0.1
Actuarial (losses)/gains due to liability experience	(1.6)	0.6
<i>Actuarial gains/ (losses) recognised in Statement of Other Comprehensive Income and Expenditure</i>	<u>1.3</u>	<u>(0.3)</u>
Asset/(Deficit) as at the end of the year	<u><u>1.3</u></u>	<u><u>(0.2)</u></u>
Year to 31 March	2022	2021
	£m	£m
Cumulative amount of gains recognised in Statement of Other Comprehensive Income and Expenditure	1.8	0.5

### History of experience gains and losses

	2022	2021	2020	2019	2018
	£m	£m	£m	£m	£m
Experience gains/(losses) on scheme assets	1.7	4.3	(1.8)	1.3	1.3
Experience gains/(losses) on scheme liabilities	(1.6)	0.6	0.2	1.3	(1.2)

### 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.

### 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 value
	£m	£m
<i>Following a 0.25% decrease in the discount rate, as at 31 March 2022:</i>		
Assets	-	38.3
Defined benefit obligations	(1.6)	(38.6)
(Deficit)	<u>(1.6)</u>	<u>(0.3)</u>

*Following a 0.25% increase in the inflation assumption (excluding salary increases), as at 31 March 2022:*

Assets	-	38.3
Defined benefit obligations	(1.1)	(38.1)
(Deficit)	<u>(1.1)</u>	<u>0.2</u>

*Following a one-year improvement in life expectancies, as at 31 March 2022:*

Assets	-	38.3
Defined benefit obligations	(1.4)	(38.4)
(Deficit)	<u>(1.4)</u>	<u>(0.1)</u>

### 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, although £0.2m deficit payments remain payable each year until 1 April 2026.

Year to 31 March	<b>2023</b>
	<b>£m</b>
Administration Expenses	<u>0.1</u>
Total estimated pension expense	<u><u>0.1</u></u>

### **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 HMRC limits. For 2021-22, employer's contributions of £2.3 million were payable to the scheme (2020-21: £2.1 million). For 2022-23, employer's contributions are expected to be £2.3 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 under the Crown Lands Act 1702 and cannot be sold. 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
<b>Cost</b>			
At 1 April 2021	0.5	0.3	0.8
Transfers	-	-	-
Additions	0.3	0.2	0.5
Disposals	-	-	-
At 31 March 2022	<u>0.8</u>	<u>0.5</u>	<u>1.3</u>
<b>Amortisation</b>			
At 1 April 2021	0.5	-	0.5
Charge for the year	0.1	-	0.1
Disposals	-	-	-
At 31 March 2022	<u>0.6</u>	<u>-</u>	<u>0.6</u>
<b>Net book value</b>			
At 31 March 2022	<u>0.2</u>	<u>0.5</u>	<u>0.7</u>
At 1 April 2021	<u>-</u>	<u>0.3</u>	<u>0.3</u>

“AIC” refers to assets in the course of construction. These assets will be transferred to the relevant category and amortised from the date of completion.

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

## 8. Property, Plant and Equipment

	Property Improvements & Infrastructure £m	Furnishings & Equipment £m	Plant & Machinery £m	AIC £m	Total £m
<b>Cost</b>					
At 1 April 2021	29.0	2.1	19.8	1.1	52.0
Transfers	0.2	0.1	0.5	(0.8)	-
Additions	0.4	0.2	0.4	0.5	1.5
Disposals	(0.1)	(0.2)	(0.2)	-	(0.5)
At 31 March 2022	<b>29.5</b>	<b>2.2</b>	<b>20.5</b>	<b>0.8</b>	<b>53.0</b>
<b>Depreciation</b>					
At 1 April 2021	12.1	1.6	7.9	-	21.6
Charge for the year	1.2	0.1	2.1	-	3.4
Disposals	-	(0.2)	(0.2)	-	(0.4)
At 31 March 2022	<b>13.3</b>	<b>1.5</b>	<b>9.8</b>	<b>-</b>	<b>24.6</b>
<b>Net book value</b>					
At 31 March 2022	<b>16.2</b>	<b>0.7</b>	<b>10.7</b>	<b>0.8</b>	<b>28.4</b>
At 1 April 2021	<b>16.9</b>	<b>0.5</b>	<b>11.9</b>	<b>1.1</b>	<b>30.4</b>

“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 £m	Plant & Machinery £m	AIC £m	Total £m
<b>Cost</b>					
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	<b>29.0</b>	<b>2.1</b>	<b>19.8</b>	<b>1.1</b>	<b>52.0</b>
<b>Depreciation</b>					
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	<b>12.1</b>	<b>1.6</b>	<b>7.9</b>	<b>-</b>	<b>21.6</b>
<b>Net book value</b>					
At 31 March 2021	<b>16.9</b>	<b>0.5</b>	<b>11.9</b>	<b>1.1</b>	<b>30.4</b>
At 1 April 2020	<b>16.0</b>	<b>0.6</b>	<b>11.6</b>	<b>2.1</b>	<b>30.3</b>

## 9. Inventories

As at 31 March	2022 £m	2021 £m
Wine and spirits	0.4	0.4
Other	-	0.1
	<u>0.4</u>	<u>0.5</u>

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	2022 £m	2021 £m
Recharges and other receivables	1.3	0.7
Prepayments and accrued income	2.4	3.0
Total receivables	<u>3.7</u>	<u>3.7</u>

Trade and Other Receivables include £nil (2020-21: £nil) in respect of facilities management charges payable by The Royal Collection Trust.

## 11. Cash and Cash Equivalents

As at 31 March	2022 £m	2021 £m
Government Banking Service	42.8	55.0
Commercial banks and cash in hand	2.3	5.7
	<u>45.1</u>	<u>60.7</u>

Cash held in the Exchequer's Government Banking Service account reflects the timing difference between the receipt of funding for the 10 year Buckingham Palace Reservicing programme and the phasing of expenditure on the programme, which is now being drawn down, plus the establishment of Core Sovereign Grant Reserves to maintain the momentum of the BPR Programme in advance of funding for the BPR Programme over the next two years, as shown in the level of the Sovereign Grant reserve on page 83.

## 12. Current Liabilities: Trade and Other Payables

As at 31 March	2022 £m	2021 £m
Trade payables	3.0	3.5
Rent deposits	0.1	0.1
Taxes and social security	1.1	1.0
Other payables	2.1	2.5
Accruals and deferred income	9.7	9.9
	<u>16.0</u>	<u>17.0</u>

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:

	2022 £m	2021 £m
Within one year	1.7	1.5
Later than one year and not later than five years	0.9	0.4
	<u>2.6</u>	<u>1.9</u>

### Obligations payable under operating leases

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

	2022 £m	2021 £m
Within one year	1.0	1.0
Later than one year and not later than five years	1.4	2.3
	<u>2.4</u>	<u>3.3</u>

## 14. Other Commitments

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

As at 31 March	<b>Core £m</b>	<b>BPR £m</b>	<b>2022 £m</b>	2021 £m
Within one year	16.2	50.0	66.2	84.3
Later than one year and not later than five years	4.6	27.7	32.3	54.8
	<b>20.8</b>	<b>77.7</b>	<b>98.5</b>	139.1

This expenditure comprises:

As at 31 March	<b>Core £m</b>	<b>BPR £m</b>	<b>2022 £m</b>	2021 £m
Other Staff costs – Agency cost contract				
• Contracted	-	1.3	1.3	2.2
• Authorised	-	3.6	3.6	2.2
Property Maintenance				
• Contracted	9.2	41.4	50.6	42.8
• Authorised	9.9	31.4	41.3	90.2
Royal Train – service contract	0.3	-	0.3	0.3
Helicopter – maintenance contracts	1.4	-	1.4	1.4
	<b>20.8</b>	<b>77.7</b>	<b>98.5</b>	139.1

There were £0.1 million and £6.8 million capital commitments included within Core and BPR contracted commitments respectively (2020-21: Core £0.8 million, BPR £5.5 million) and there were £1.2 million and £nil included within authorised Core and BPR commitments respectively (2020-21: Core £2.0 million, BPR £6.9 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.

	2022 £m	2021 £m
<b>Income recovered from:</b>		
The Royal Collection Trust	1.8	1.8
<i>Balance outstanding</i>	<i>0.3</i>	<i>0.9</i>
Privy Purse	0.5	0.4
<i>Balance outstanding</i>	<i>0.1</i>	<i>0.1</i>
Other Royal Households	1.5	1.2
<i>Balance outstanding</i>	<i>0.4</i>	<i>0.3</i>
Historic Royal Palaces	0.1	0.1
<i>Balance outstanding</i>	-	-

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 2), 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.

	2022 £m	2021 £m
<b>Expenditure charged by:</b>		
The Royal Collection Trust	(0.1)	(0.1)
<i>Balance outstanding</i>	(0.1)	-
Privy Purse	(0.4)	(0.3)
<i>Balance outstanding</i>	-	-
Other Royal Households	(0.3)	(0.4)
<i>Balance outstanding</i>	(0.3)	(0.3)

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](http://www.hm-treasury.gov.uk).

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

	2022 £m	2021 £m
<b>Income recovered from:</b>		
Foreign, Commonwealth and Development Office	-	0.1
<i>Balance outstanding</i>	-	-
Ministry of Defence	-	0.1
<i>Balance outstanding</i>	-	-

**Expenditure charged by:**

	<b>2022</b>	2021
	<b>£m</b>	£m
Foreign, Commonwealth and Development Office	-	(0.1)
<i>Balance outstanding</i>	-	-
Ministry of Defence	<b>(0.7)</b>	(0.2)
<i>Balance outstanding</i>	-	-

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.

	<b>2022</b>	2021
	<b>£m</b>	£m
<b>Cash recovered from:</b>		
The Royal Collection Trust	<b>1.6</b>	2.8
<i>Balance outstanding</i>	<b>0.1</b>	0.1
Privy Purse	<b>0.2</b>	0.2
<i>Balance outstanding</i>	<b>0.1</b>	0.2
Other Royal Households	<b>0.3</b>	0.3
<i>Balance outstanding</i>	-	-
Foreign, Commonwealth and Development Office	<b>0.2</b>	0.1
<i>Balance outstanding</i>	-	-
Cabinet Office	<b>0.8</b>	0.9
<i>Balance outstanding (held as agent)</i>	<b>(1.0)</b>	(1.2)
Department for Digital, Culture, Media & Sport	<b>0.5</b>	0.4
<i>Balance outstanding (held as agent)</i>	-	-

## 16. Buckingham Palace Reservicing

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

Year to 31 March		2018-22 cumulative	2022	2021
	Note	£m	£m	£m
<b>Funding receivable<sup>1</sup>:</b>				
Grants		165.2	34.5	34.4
<b>Income</b>				
Property rental income	2	0.1	-	-
		0.1	-	-
<b>Expenditure</b>				
Payroll costs	2,4	(6.3)	(1.7)	(1.7)
Other staff costs	2,4	(9.6)	(2.4)	(2.2)
Property maintenance	2	(112.7)	(47.8)	(31.6)
Housekeeping and hospitality	2	(0.2)	-	-
Digital services	2	(0.6)	(0.3)	(0.3)
Depreciation	2	(2.5)	(1.4)	(0.9)
Other	2,3	(4.3)	(1.0)	(2.1)
		(136.2)	(54.6)	(38.8)
<b>Total net expenditure</b>		<b>(136.1)</b>	<b>(54.6)</b>	<b>(38.8)</b>
<b>Sovereign Grant funding less net expenditure transferred (from)/to Sovereign Grant Reserve</b>		<b>29.1</b>	<b>(20.1)</b>	<b>(4.4)</b>
<b>Capital expenditure incurred net of depreciation</b>		<b>(14.0)</b>		
<b>Reserve carried forward</b>		<b>15.1</b>		

<sup>1</sup> In accordance with the Accounts Direction issued by HM Treasury (See Appendix 3 page 119), 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 6 June 2022 the financial statements were approved by the Accounting Officer and Audit and Risk Assurance Committee and on 9 June 2022 were approved by the Lord Chamberlain's Committee for signature by The Keeper of the Privy Purse on 15 June 2022. 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 2022 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

	2022 £m Core	2022 £m BPR	2022 £m Total	2021 £m Total
Projects				
• Construction	8.8	28.3	37.1	28.7
• Fees	1.0	19.5	20.5	16.3
Reactive maintenance	6.3	-	6.3	4.5
	<b>16.1</b>	<b>47.8</b>	<b>63.9</b>	<b>49.5</b>

#### Travel

	2022 £m Core	2021 £m Core
Air travel		
• Helicopters (includes operating lease payments of £0.6 million)	2.3	2.1
• Fixed wing (large)	0.2	0.1
• Fixed wing (small)	0.6	0.1
• Scheduled	0.2	-
Rail travel (includes operating lease payments of £0.2 million)	1.0	0.7
Motor vehicles	0.2	0.2
	<b>4.5</b>	<b>3.2</b>

## Utilities

	2022 £m Core	2021 £m Core
Rates and council tax	1.4	1.4
Electricity	1.0	0.8
Gas	0.5	0.5
Water	0.3	0.5
	<u>3.2</u>	<u>3.2</u>

## Housekeeping and hospitality

	2022 £m Core	2021 £m Core
Food and drink	0.6	0.4
Cleaning, laundry and other	0.7	0.5
	<u>1.3</u>	<u>0.9</u>

## Other

	2022 £m Core	2022 £m BPR	2022 £m Total	2021 £m Total
Amortisation of software	0.1	-	0.1	-
Equipment purchase and hire	0.4	0.1	0.5	0.5
Insurance, legal advice and other professional services	1.8	0.2	2.0	1.3
Printing, postage and stationery	1.1	-	1.1	0.7
Covid-19 related expenditure	-	-	-	2.1
Other	0.9	0.7	1.6	1.1
	<u>4.3</u>	<u>1.0</u>	<u>5.3</u>	<u>5.7</u>

APPENDIX 2: FIVE YEAR INFORMATION

<i>Year to 31 March</i>	2022	2021	2020	2019	2018
	£m	£m	£m	£m	£m
<b>Funding received:</b>					
Grants	<b>86.3</b>	85.9	82.4	82.2	76.1
<b>Income</b>					
Property rental income	<b>3.3</b>	3.4	3.3	3.2	3.3
Facilities management charges	<b>0.4</b>	(0.2)	7.3	7.0	6.0
Recharges for functions and other income	<b>6.2</b>	6.2	9.6	7.6	11.4
Transfer to Non-current assets reserve	-	-	-	-	(3.4)
	<b>9.9</b>	9.4	20.2	17.8	17.3
<b>Expenditure</b>					
Payroll costs	<b>(23.7)</b>	(24.1)	(24.4)	(23.2)	(21.4)
Other staff costs	<b>(3.8)</b>	(3.3)	(4.5)	(3.5)	(2.2)
Property maintenance	<b>(63.9)</b>	(49.5)	(38.3)	(37.8)	(22.6)
Travel	<b>(4.5)</b>	(3.2)	(5.3)	(4.6)	(4.7)
Utilities	<b>(3.2)</b>	(3.2)	(3.1)	(2.9)	(2.7)
Housekeeping and hospitality	<b>(1.3)</b>	(0.9)	(2.6)	(2.3)	(2.3)
Digital services (formerly IT & telecoms)	<b>(3.2)</b>	(3.7)	(4.2)	(3.8)	(3.0)
Depreciation	<b>(3.4)</b>	(3.3)	(2.3)	(2.0)	(1.6)
Other	<b>(5.3)</b>	(5.7)	(4.9)	(4.7)	(4.2)
	<b>(112.3)</b>	(96.9)	(89.6)	(84.8)	(64.7)
<b>Total net expenditure</b>	<b>(102.4)</b>	(87.5)	(69.4)	(67.0)	(47.4)
<b>Sovereign Grant funding less net expenditure transferred (from)/to Sovereign Grant Reserve</b>	<b>(16.1)</b>	(1.6)	13.0	15.2	28.7

PERFORMANCE INDICATORS AND OPERATING RATIOS

	2022	2021	2020	2019	2018
<b>Suppliers paid within:</b>					
15 days of receipt of invoice	<b>44%</b>	46%	44%	45%	45%
30 days of receipt of invoice	<b>87%</b>	90%	90%	93%	94%
<b>Staff Numbers (average FTE)</b>	<b>491</b>	508	513	463	438

### 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.<sup>9</sup>
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;

<sup>9</sup> 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







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