



HM Government

# **Sovereign Grant Act 2011:** Report of the Royal Trustees on the Sovereign Grant for 2016-17

November 2015





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

November 2015

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# Report of the Royal Trustees on the Sovereign Grant for 2016-17

## 1

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### Legislative background

#### Calculation and payment of the Sovereign Grant

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

**1.2** For each financial year subsequent to the financial year 2012-13, the amount of the grant is the amount determined by the Royal Trustees<sup>3</sup> for that year in accordance with section 6 of the 2011 act.<sup>4</sup> Section 6 of the 2011 act provides that the amount of the grant for a financial year (“the relevant financial year”) is to be determined by the Royal Trustees as follows:

#### Step 1

Calculate 15% of the income account net surplus of the Crown Estate<sup>5</sup> for the base year.<sup>6</sup>

#### Step 2

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

#### Step 3

Find the greater of—

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

That amount is “the Step 3 amount”.

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

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

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

<sup>4</sup> Section 1(4) of the 2011 act.

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

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

## Step 4

If the adjusted value of the Reserve Fund<sup>7</sup> at the end of the base year<sup>8</sup> exceeds 50% of the audited net relevant resources used for that year,<sup>9</sup> the Royal Trustees may reduce the Step 3 amount by such amount as they consider appropriate.

## Step 5

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

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

**1.3** In exercising their powers under Step 4, the Royal Trustees must act in a way they expect will result in the adjusted value of the Reserve Fund at the end of the relevant financial year being about 50% of the audited net relevant resources used for that year.<sup>10</sup>

## Report of the Royal Trustees

**1.4** Each financial year the Royal Trustees must prepare a report stating their determination of the grant for the following year and how that amount has been determined.<sup>11</sup> The report must be prepared as soon as practicable after the Comptroller and Auditor General has reported on:

- the statement of accounts of the Royal Household for the previous financial year
- the statement of accounts of the Reserve Fund for that financial year
- the statement of accounts for that year prepared by the Crown Estate Commissioners<sup>12</sup>

**1.5** The Royal Trustees must give a copy of this report to the Treasury and the Treasury must lay the report before Parliament.<sup>13</sup>

## The report

**1.6** This report is made by the Royal Trustees under section 5(1) of the 2011 act.

**1.7** The report states the determination of the Royal Trustees of the amount of the Sovereign Grant for the financial year 2016-17. It also states how that amount has been determined.

## Sovereign Grant for the financial year 2016-17

**1.8** The amount of the Sovereign Grant for the financial year 2016-17 is £42,800,000.

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<sup>7</sup> The Reserve Fund was established under section 3 of the 2011 act. Grant not used for the year for which it is made is paid into the fund. In years when the use of resources exceeds the amount of the grant, drawings from the fund will supplement the grant (see generally section 3(3) and (4) of the 2011 act).

<sup>8</sup> The adjusted value of the Reserve Fund at the end of the base year is the value of that fund as stated in the statement of accounts for the base year as certified by the Comptroller and Auditor General under section 4 of the 2011 act, but adjusted to take account of any payments to and from the fund in respect of the base year which are not reflected in that statement of accounts (see sections 6(2) and (3) and 12(1) of the 2011 act).

<sup>9</sup> The audited net relevant resources used for a financial year are the amount of net relevant resources used for that year as stated in the statement of accounts certified by the Comptroller under section 2 of the 2011 act (see section 12(1) of the 2011 act). For these purposes, net relevant resources for a financial year are the amount of resources used by the Royal Household for that year in support of Her Majesty's official duties less the amount of income of the Royal Household for that year (excluding the grant) (see section 2(7) of the 2011 act).

<sup>10</sup> Section 6(4) of the 2011 act.

<sup>11</sup> Section 5(1) of the 2011 act.

<sup>12</sup> Section 5(2) of the 2011 act.

<sup>13</sup> Section 5(3) and (4) of the 2011 act.

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

The Rt Hon. David Cameron

The Rt Hon. George Osborne

Sir Alan Reid

25 November 2015



# Statement of how the Sovereign Grant for 2016- 17 has been calculated

## A

**A.1** The Sovereign Grant for 2016-17 has been determined in accordance with section 6 of the 2011 act as follows:

### Step 1

The income account net surplus of the Crown Estate for 2014-15 was £285,100,000.<sup>1</sup>

15% of £285,100,000 is £42,765,000.

### Step 2

£42,765,000 rounded up to the nearest £100,000 is £42,800,000.

### Step 3

The amount of the grant for the financial year 2015-16 was £40,100,000.

The greater of £42,800,000 and £40,100,000 is £42,800,000.

The Step 3 amount is, therefore, £42,800,000.

### Step 4

The adjusted value of the reserve at the end of the financial year 2014-15 was £3,600,000.<sup>2</sup>

The audited net relevant resources used for the financial year 2014-15 were £35,700,000.<sup>3</sup>

50% of £35,700,000 is £17,850,000.

Step 4 does not, therefore, apply for the financial year 2016-17, since the adjusted value of the Reserve Fund at the end of 2014-15 did not exceed 50% of the audited net relevant resources used for that year.

### Step 5

The grant for the financial year 2016-17 is the Step 3 amount, or £42,800,000.

<sup>1</sup> See page 89 of the Crown Estates Annual Report and Accounts 2015 (<http://www.thecrownestate.co.uk/media/476203/annual-report-and-accounts-2015.pdf>). The entry 'net consolidated revenue account profit – distributable to the Consolidated Fund' in the Consolidated Revenue Account is the income account net surplus of the Crown Estate for 2014-15.

<sup>2</sup> See page 44 of the Sovereign Grant and Sovereign Grant Reserve Annual Report and Accounts 2014-15. ([https://www.royal.gov.uk/pdf/Annual%20report%20201515/102066\\_Accounts.PDF](https://www.royal.gov.uk/pdf/Annual%20report%20201515/102066_Accounts.PDF)) No payments to and from the Reserve Fund in respect of the financial year 2014-15 have been made which are not reflected in the Annual Report and Accounts.

<sup>3</sup> See page 40 of the Sovereign Grant and Sovereign Grant Reserve Annual Report and Accounts 2014-15.





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