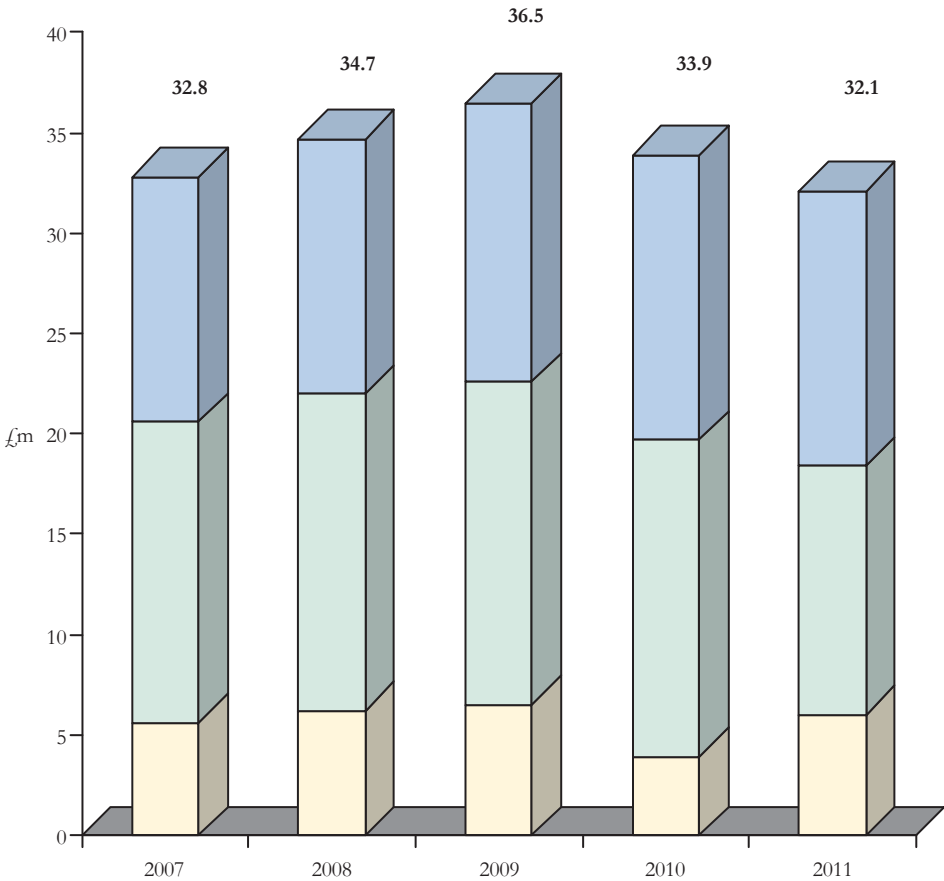


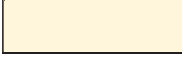


ROYAL PUBLIC FINANCES

Five Years to March 2011



KEY¹

-  The Queen's Civil List
-  Grant-in-aid for Property Services and Communications and Information
-  Grant-in-aid for Royal Travel by Air and Rail

¹ The above colours correspond to those applied to the separate sections of this document.

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ROYAL PUBLIC FINANCES

<i>Year to 31 March</i>	2011	2010
	£m	£m
The Queen's Civil List ¹	13.7	14.2
Grants-in-aid:		
Property Services	11.9	15.4
Communications and Information	0.5	0.4
Royal Travel ²	6.0	3.9
	32.1	33.9

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. In the year to 31 March 2010, Crown Estate income surrendered amounted to £210 million (2008-09: £230 million). Official expenditure for 2010-11 has decreased by 5.3% in absolute terms and by 10.2% in real terms compared to the previous year. The decrease is mainly due to increased income generation, the deferral of property maintenance expenditure and the implementation of a pay freeze. Over the past 5 years official expenditure has reduced by 19.0% in real terms.

Expenditure on The Queen's Civil List and Grants-in-aid include £2.0 million of VAT (2009-10: £1.9 million).

The above figures for The Queen's Civil List and the Grants-in-aid are based on audited figures, the accounts of which are included in this report.

In previous years, Head of State Expenditure met from Public Funds was presented in this report, which included expenditure met directly by Government Departments and the Crown Estate. This expenditure is not under the direct control of the Royal Household and has been excluded from the report this year in order to align the presentation with that which will be adopted in the future for the Sovereign Grant.

A chart showing The Queen's official expenditure for the past five years is set out on page 1.

¹ Figures are for calendar years 2010 and 2009

² The sale of The Queen's Helicopter in 2009-10 resulted in lease repayments of £1.5 million to Royal Travel. Excluding this income, expenditure on Royal Travel would have been £5.4 million.

THE QUEEN'S DUTIES

The Queen's duties as Head of State include:

- undertaking constitutional duties, for example the State Opening of Parliament, regular audiences with the Prime Minister, meetings of the Privy Council, giving Royal Assent to legislation and approving many appointments;
- fulfilling constitutional responsibilities in relation to the Scottish Parliament and, where appropriate, the Welsh and Northern Ireland Assemblies;
- carrying out State and Royal Visits overseas and receiving State and Official visitors to the United Kingdom;
- receiving credentials from foreign Heads of Mission; and
- presenting honours at Investitures.

In addition, the role of The Queen, supported by members of the Royal Family, extends more widely than these formal duties and includes:

- providing a focus for national identity, unity and pride (for example on Remembrance Sunday and at times of national celebration or tragedy);
- providing a sense of stability and continuity (for example by participating in traditional ceremonies such as Trooping the Colour);
- recognising success, achievement and excellence (for example through visits, receptions and awards); and
- contributing through public service and the voluntary sector to the life of the nation; in this area The Queen is particularly supported by the work of other members of the Royal Family (e.g. The Prince's Trust and The Duke of Edinburgh's Award Scheme).

THE QUEEN'S CIVIL LIST

The tenth published annual accounts for the Civil List, which are for the year to 31 December 2010, are set out in this report. The accounts are prepared in a form directed by The Treasury Officer of Accounts, in accordance with Section 9 of the Civil List Audit Act 1816.

Further information on the historical and legislative background for the Civil List can be found on the official website of the British Monarchy, www.royal.gov.uk.

The detailed annual report showing how the Civil List has been spent during 2010 is shown in pages 41 to 58 of this report.

The Civil List does not fund the official duties of The Prince of Wales or other members of the Royal Family which are met from income from the Duchy of Cornwall and the Privy Purse respectively.

GRANTS-IN-AID

The Royal Household's objectives in managing Property Services in the Occupied Royal Palaces and Communications and Information expenditure are set out in the Memorandum of Understanding between the Lord Chamberlain and the Permanent Secretary of the Department for Culture, Media and Sport and the Financial Memorandum, both dated 28th September 2006.

Property Services

The Property Services Grant-in-aid is the annual funding provided by the Department for Culture, Media and Sport to the Royal Household to meet the cost of property maintenance, and of certain utilities and related services, at:

- 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.

These properties are referred to as the "Occupied Royal Palaces" or the "Estate" with an aggregate floor area estimated at approximately 160,000 square metres. The Buckingham Palace, St James's Palace and Windsor Castle State Apartments, together with offices, service areas, workshops, stores, coach houses, stables and garages, represent approximately 75% of the total area. In addition, there are The Queen's Gallery at Buckingham Palace, some 205 properties allocated for residential use mainly by staff and pensioners and 29 properties used as communal residential accommodation for staff.

The Occupied Royal Palaces are held in trust for the nation by The Queen as Sovereign. Their maintenance and upkeep is one of the expenses met by the Government in return for the surrender by the Sovereign of the Hereditary Revenues of the Crown (principally the net income surplus from the Crown Estate). The Department for Culture, Media and Sport has overall responsibility for the maintenance of and provision of services to the Occupied Royal Palaces, although from 1 April 1991, management and operating responsibility was transferred to the Royal Household.

The Occupied Royal Palaces are 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 Queen invited approximately 76,000 guests (2009-10: 71,000) to the Palaces and there were approximately 1.86 million (2009-10: 1.77 million) paying visitors. There were 6 garden parties in 2010-11 (2009-10: 7). The net contribution from admitting visitors to the Occupied Royal Palaces after charges for the use of Windsor Castle and Buckingham Palace and the associated maintenance costs goes towards the upkeep, conservation and presentation of the Royal Collection (see reference on page 9 and the Royal Collection Annual Report which is published separately).

Communications and Information

The Royal Communications and Information Grant-in-aid is the annual funding for communication and information services for official royal functions and engagements.

The Royal Household incurs expenditure developing and running the communications programme, maintaining a Press Office (to liaise with and provide information to the Press and other media), developing the British Monarchy's web site, providing information officers to administer press arrangements at royal engagements and visits in England and Scotland, and providing general and educational information to the public. General Press Office costs and expenditure incurred in developing and running the communications programme are charged to the Civil List. Other costs are charged to the Royal Communications and Information Grant-in-aid. The division of costs between the two funding sources is historic.

Royal Travel

The Royal Travel Grant-in-aid is the annual funding provided by the Department for Transport to meet the cost of official royal travel by air and rail.

The Memorandum of Understanding dated 25th March 1997 between the Lord Chamberlain and the Permanent Secretary of the Department of Transport (now the Department for Transport – “the Department”), sets out the basis on which the Royal Household should use and account for the annual Royal Travel Grant-in-aid provided to it by the Department. The Memorandum of Understanding requires the Private Secretary to The Queen and the Keeper of the Privy Purse, the Royal Household officials with responsibility for the Grant-in-aid, to account for its stewardship in an annual report.

It is an important part of The Queen's role as Sovereign, supported by other members of the Royal Family, to act as a focal point for national life and to bring people together across all sectors of society. In carrying out this role the Royal Family receives thousands of invitations each year from or on behalf of Government, the Church, local authorities and the Armed Services, and a wide range of individual organisations across the private, public and voluntary sectors.

In 2004-05 it was agreed between UK Trade & Investment (UKTI) and the Department for Transport that the costs of The Duke of York's official overseas travel as Special Representative of UKTI should be met by the Grant-in-aid.

Detailed accounts showing how the Grants-in-aid have been spent during 2010-11 are shown on pages 59 and 91 of this report.

REPORT OF THE ROYAL TRUSTEES AND SOVEREIGN GRANT

Section 5 of the Civil List Act 1972 requires the Royal Trustees (the Prime Minister, the Chancellor of the Exchequer and the Keeper of the Privy Purse) to report on Civil List expenditure at least once every ten years. The Royal Trustees Report for the period 2001-10 was published on 22 June 2010 and set out Civil List expenditure since the last report on 3 July 2000. It made recommendations for the amount of the Civil List and expenditure to be met from it for the year to 31 December 2011 after taking into account the anticipated balance on the Civil List Reserve at 31 December 2010. The Chancellor of the Exchequer as part of his Spending Review Statement on 20 October 2010 announced that funding for the Civil List and Grants-in-aid would remain fixed until 31 March 2012 when, subject to primary legislation, the funding provided to meet The Queen's official expenditure under the Civil List will be consolidated with the funding provided by the Department for Culture, Media and Sport for the Maintenance of the Occupied Royal Palaces and Communications and Information and that provided by the Department for Transport for Royal Travel under a single Sovereign Grant. The Sovereign Grant will be set at £31.0 million for 2012-13 and thereafter will be calculated based on a percentage of the net income surplus from the Crown Estate.

EXPENDITURE FUNDED FROM OTHER SOURCES

Duchy of Lancaster

Income from the Duchy of Lancaster funds the Privy Purse. It is The Queen's private income which after tax is largely used by Her Majesty to meet official expenditure. Accounts for the Duchy of Lancaster are presented to both Houses of Parliament annually.

Duchy of Cornwall

Income after tax from the Duchy of Cornwall funds the official duties of The Prince of Wales. Accounts for the Duchy of Cornwall are published and laid before Parliament annually.

The Royal Collection

The Royal Collection receives no funding from the Government or the National Lottery. It 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, except for some building occupancy costs, are met by The Royal Collection Trust from visitor admissions to the Occupied Palaces and from related activities. Around five million people saw items from the Royal Collection in royal palaces during 2010-11 and many more people saw items from the Royal Collection on loan to museums and galleries around the world. An annual report is published by The Royal Collection Trust, copies of which are available on-line at www.royalcollection.org.uk.

Further information is available on www.royal.gov.uk

MANAGING THE ROYAL HOUSEHOLD

Continuing improvement is an important part of the Royal Household's approach, and it operates in a businesslike 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 Queen's Household are as follows:

- 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 and advise all Royal Households
- Maintain and make accessible the Official Residences and Royal Collection
- Continue to develop a diverse team of well led, trained, motivated and adaptable professionals
- Ensure efficient use of our financial resources
- Ensure internal business process and infrastructure provides appropriate support and continues to develop

SENIOR MANAGEMENT

The leadership of The Queen's Household is the responsibility of the Lord Chamberlain and the five Heads of the Household's Departments, reporting to The Queen. The Lord Chamberlain, the Heads of Department and two non-executive members are collectively referred to as the Lord Chamberlain's Committee.

The Lord Chamberlain's Committee meets formally approximately once a month. Its members are as follows:

- Lord Chamberlain - The Rt Hon. The Earl Peel

Heads of Departments:

- Private Secretary to The Queen - The Rt Hon. Christopher Geidt
- Keeper of the Privy Purse - Sir Alan Reid
- Master of the Household - Air Vice-Marshal David Walker
- Comptroller, Lord Chamberlain's Office - Lt Col. Andrew Ford
- Director of the Royal Collection - Sir Hugh Roberts (to 30 April 2010)
- Jonathan Marsden (from 1 May 2010)

Non-executive members:

- Private Secretary to The Duke of Edinburgh - Brigadier Sir Miles Hunt-Davis (to 31 January 2011)
- Brigadier Archie Miller-Bakewell (from 1 February 2011)

- Principal Private Secretary to The Prince of Wales and The Duchess of Cornwall - Sir Michael Peat

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

The division of responsibilities across the Grants-in-aid and Civil List funding sources is as follows:

	The Civil List	Property Services and Communications and Information	Royal Travel
Private Secretary to The Queen	Private Secretaries, Secretariat, Press Office, Information Assurance, Security Liaison	Communication and Information Policy	Travel Policy
Keeper of the Privy Purse	Finance, Personnel, IT and Telecoms, Internal Audit	Supervision and Direction, Fire, Health and Safety Services, Communication and Information, Finance	Travel Finance
Master of the Household	Event Management, Catering and Hospitality, House Management, Logistics	Craftsmen	
Comptroller, Lord Chamberlain's Office	Ceremonial, Royal Mews, Medical, Ecclesiastical		Travel Operations, Security and Safety

Within the Royal Household, the Communications and Press Secretary is responsible for organising the provision of communications and information services and is supported in financial matters by the Deputy Treasurer to The Queen.

The Comptroller, Lord Chamberlain's Office, supported by the Director of Royal Travel, is responsible for organising the provision of travel services and for the in-house helicopter operation and is supported in financial matters by the Deputy Treasurer to The Queen.

REMUNERATION REPORT

The Royal Household Remuneration Committee is responsible for setting the salaries of The Rt Hon. The Earl Peel, The Rt Hon. Christopher Geidt and Sir Alan Reid. The Royal Household Remuneration Committee has the following members:

- The Cabinet Secretary - Sir Gus O'Donnell
- The Permanent Secretary to the Treasury - Sir Nicholas Macpherson
- The Lord Chamberlain - The Rt Hon. The Earl Peel
- Treasury Officer of Accounts and Secretary to the Committee - Paula Diggle

The salary of Lt Col. Andrew Ford is set with reference to Senior Civil Service pay scales. For the 2010-11 financial year it was decided that no pay rises would be awarded for Royal Household employees earning over £50,000 and accordingly he received no increase, however his salary was increased in January 2011 to reflect an increase in responsibility.

Air Vice-Marshal David Walker is seconded from the Ministry of Defence on a contract that is reviewed periodically. The next review date will be in 2011. The salary shown below is his secondment cost charged to the Civil List.

All other members of the Lord Chamberlain's Committee are appointed on permanent contracts.

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

The non-executives receive no remuneration in respect of their duties as members of the Committee.

Salaries for members of the Lord Chamberlain's Committee who are paid from the Civil List (before the deduction of abatements and other charges in respect of housing), are shown below.

<i>Year to 31 March</i>	Salary		Pension Payments	
	2010-11	2009-10	2010-11	2009-10
	£'000	£'000	£'000	£'000
The Rt Hon. The Earl Peel	82	82	12	12
The Rt Hon. Christopher Geidt	146	146	22	22
Sir Alan Reid	180	180	34	34
Air Vice-Marshal David Walker	123	120	48	44
Lt Col. Andrew Ford	103	101	15	15

As part of centrally provided risk benefit cover for employees within the Defined Contribution (Stakeholder) Pension Scheme, up to 0.46% of pensionable salary is contributed for death-in-service and income replacement schemes.

Sir Hugh Roberts and Jonathan Marsden are not included in the above table because they were paid by The Royal Collection.

There are no accrued annual pensions as the payments made were not to any of the Royal Household defined benefit pension schemes.

The Committee members' performance is assessed by The Lord Chamberlain through an annual appraisal process.

The Rt Hon. The Earl Peel

The Lord Chamberlain

9 June 2011

OPERATING APPROACH

The Civil List

The Royal Household's overriding aim in managing the Civil List is to give excellent support to The Queen to enable Her Majesty to serve the nation as Head of State, while ensuring that value for money is achieved.

Property Services

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. It receives its Grant-in-aid via the Department for Culture, Media and Sport which sets three main objectives in managing property services, as follows:

- (a) to maintain the Occupied Royal Palaces as buildings of State to a standard consistent with the Household's operational requirements and with the royal, architectural and historic status of the buildings in a manner which ensures value for money; and to that end
- (b) to organise and obtain works and other property services in the most economic, efficient and effective way and to achieve financial and other performance targets; and
- (c) to seek to contract in the most economical and efficient manner for the supply of all services.

The Property Section has divided these into operating objectives, which focus on:

- conserving, repairing and maintaining the estate in a professional manner;
- strengthening a culture of excellence;
- recruitment, retention and development of professional staff;
- improvements to customer care;
- efficiency and adaptability;
- development of a culture of health and safety across the Household;
- ensuring best value for money is obtained;
- maximising opportunities for generating income to supplement the Grant-in-aid; and
- reducing the Household's carbon footprint.

The Property Section seeks to set the highest standards in terms of quality of design and building work, efficiency and cost effectiveness. An emphasis on improvement is maintained through effective management and internal communication, setting and making clear the high standards to be achieved in each area, giving managers clear areas of responsibility and well defined performance targets, providing appropriate and well focused training, and maximising job satisfaction. A small specialist team of staff is responsible for planning and supervising the property maintenance work and for buying in services in the most appropriate and cost-effective manner, supported by a minimum number of in-house maintenance and other non-supervisory staff.

The approach of the Property Section, subject to funding constraints, 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 English Heritage, and the use of contractors with appropriate experience;
- a programme of regular checks, tests and inspections;
- condition assessments recorded on a web based system developed by Defence Estates that assist in determining essential maintenance across the Estate;
- the operating requirements of the Departments of The Queen's Household and of the other Households and organisations which use the buildings; and
- new legislation and regulations as they affect, inter alia, construction, fire precautions and health and safety.

The work of the Property Section is governed by a comprehensive set of procedures referred to as "Desk Instructions". These cover items such as project justifications, planning and specification, competitive tendering, the commissioning and management of contractors and design team consultants, fire precautions, and the control and authorisation of provisional sums, contract variations, overruns and Construction (Design and Management) Regulations. All projects with a construction cost of £3,500 or more are individually detailed in an Annual Works Programme and Ten Year Plan showing projected and actual costs, which is updated on a monthly basis.

Royal Communications and Information

The Royal Household's objectives in managing Royal Communications and Information are:

- (a) to seek to contract in the most economic and efficient way for the supply of communications and information services, consistent with the requirement to provide clear and comprehensive communications and information about royal functions and engagements; and
- (b) to ensure that members of the Household take financial considerations fully into account when framing, reaching or giving effect to decisions which bear upon the Grant-in-aid.

The Queen's engagements throughout England, Scotland and Wales are covered by the Buckingham Palace Press Officers and a Press Officer at the Palace of Holyroodhouse.

The British Monarchy website (www.royal.gov.uk) is a primary source of reference for media and members of the public. It contains information on the work and constitutional role of The Queen, biographies of members of the Royal Family, and the history and use of Royal Palaces, as well as media announcements and a history section on the English, Scottish and United Kingdom Crowns.

Royal Travel

The Royal Household's objectives in managing Royal Travel expenditure are:

- (a) to seek to contract in the most economic and efficient way for the supply of air and rail services, consistent with safety, security, and other requirements of Royal Travel; and
- (b) to ensure that members of the Household take financial considerations fully into account when framing, reaching, or giving effect to decisions which bear upon the Grant-in-aid.

The Grant-in-aid meets the cost of official journeys undertaken by or in support of members of the Royal Family by air and rail. Travel by senior members of the Royal Family between residences is categorised as official.

Safety, security, presentation, 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 tours is determined by the FCO and UKTI, and approved by the Royal Visits Committee.

The Royal Visits Committee is a Cabinet Committee, chaired by the Permanent Under Secretary and comprising the Private Secretaries to The Queen, The Prince of Wales, The Duke of York and No. 10, the Chief Executive of UKTI and the Director of Protocol, Foreign and Commonwealth Office.

AUDIT COMMITTEE

The Audit Committee, which reports to the Lord Chamberlain's Committee, has responsibilities which include reviewing the annual accounts, assessing the effectiveness of internal control and risk management, and monitoring the work of the internal and external auditors. It currently comprises four members: Mr Nigel Turnbull (non-executive Chairman), Air Vice-Marshal David Walker (Master of the Household), Ms Leslie Ferrar (Treasurer to The Prince of Wales and Duchess of Cornwall) and Sir David Tweedie (Chairman of the International Accounting Standards Board). In undertaking its responsibilities, the Audit Committee considers reports from both internal and external auditors and management, and makes recommendations to the Lord Chamberlain's Committee throughout the year.

The Audit Committee meets at least three times a year. Meetings are attended by the Head of Audit Services, the Keeper of the Privy Purse, the Deputy Treasurer to The Queen, and representatives from HM Treasury who are the external auditors of the Civil List and KPMG LLP who are auditors of the Royal Travel and Property Services Grants-in-aid and are contracted by HM Treasury to audit the Civil List. Other senior managers in the Royal Household attend when invited by the Committee.

Matters dealt with by the Committee include: approving terms of engagement for the external auditors; reviewing and approving audit plans, annual reports and management reports from internal and external auditors; reviewing the Royal Household risk register; reviewing the implementation of audit recommendations; and reviewing the statement of internal control. The Audit Committee also examines issues that may impact on risks within the Royal Household.

EMPLOYMENT POLICIES

The Royal Household's employment policies and practices have been developed to support the Household's objectives and associated business plans, and to encourage a motivated, adaptable and skilled workforce. As evidence of this commitment to the alignment of its people practices to support achievement of its organisational goals, and to measure its performance against an external standard, the Royal Household sought and achieved Investors in People (IiP) accreditation in 2010.

The Household is committed to equality of opportunity. Diversity of both applicants and employees is promoted, with candidates sought from all sections of the community, responding to advertisements placed in national, regional and specialist media and on a wide range of web sites. The majority of recruits to the Household now apply over the internet, submitting electronic applications, ensuring the widest possible trawl of candidates and that selection decisions are made on standardised information. The effectiveness of the Household's Equal Opportunities Policy is monitored.

The Household has introduced a number of wellbeing initiatives with the aim of fostering a culture of motivation and engagement, promoting healthy lifestyles and encouraging the retention of key staff. These include the formation of a Welfare and Lifestyle Committee

with staff representatives, the promotion of the Royal Household Football, Sports and Social Club and the implementation of flexible working, as well as various health and fitness initiatives.

Staff consultation is a key element of the Royal Household's employee relations strategy, with a number of channels of communications including intranet, briefings, a staff survey conducted every three years, regular small focus groups and discussions and updates on the performance of the Household delivered by the Lord Chamberlain and Heads of Department. Staff are kept informed on progress made by the Royal Household and are encouraged to contribute ideas and to give feedback to senior management, with the aim of continuously improving services and standards. All staff paid from public funds receive a summary copy of this report, highlights of which are published on the intranet.

All staff participate in an annual review to assess performance against objectives and a competency framework, and each employee is encouraged to commit to a personal development plan prepared jointly with his or her manager. Career opportunities are advertised internally with up to a third of all vacancies filled in this way.

The average number of days of employee absence due to sickness was 4.1 days (2009-10: 4.5 days).

LEARNING AND DEVELOPMENT

Considerable emphasis is placed on training, which is provided both in-house and through external organisations. The range of opportunities for learning and development extends from in-house Chartered Management Institute (CMI) qualifications for supervisors and managers, through to highly specialised courses for Royal Travel helicopter pilots. Similarly the medium and format for delivery is very diverse, with breakfast workshops and lunch-time learning sessions, as well as residential programmes and a developing e-learning facility and resource library. Specialist IT training focusing on enhancing IT capability is also available to all staff.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

The Royal Household has a Sustainability and Social Responsibility Policy and is committed to considering the economic, social and environmental impact of its activities. A Social Responsibility Committee has been established to consider how aspects of social responsibility apply to the Royal Household and to identify ways in which the Household is already making a positive impact, as well as areas for improvement.

In particular, the Committee reports on measures to:

- reduce the consumption of materials and energy;
- use renewable or recycled materials;
- encourage employees to take responsibility for and participate in good environmental practices; and
- manage the activities of the Royal Household in an environmentally sensitive manner.

The Royal Household is also supportive of employees who are involved in charitable and voluntary activities and offers special leave for this purpose.

SUPPLIER PAYMENT PERFORMANCE

The Royal Household aims to meet the following performance targets when paying its suppliers:

Percentage paid within:

- 30 days 85
- 40 days 95
- 50 days of receipt of invoice 97

The performance of the Civil List against these targets can be found on page 58, Property Services on page 62 and Royal Travel on page 105.

FIRE HEALTH AND SAFETY

Fire Safety

Automatic fire detection systems are installed throughout the Estate and are monitored continually to ensure they work effectively. The systems are maintained under preventative term contracts which are competitively tendered every three to five years. Systems are regularly reviewed to ensure that they remain suitable for the risk.

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.

Fire risk assessments and inspections are undertaken on a regular basis, initially using independent consultants, with follow-up inspections by in-house fire safety officers in accordance with the Fire Regulatory Reform Order. In addition, each department has a nominated fire marshal.

The fire safety strategies used within the Royal Household continue to rely on effective fire prevention, early detection, training, regular fire drills, active and passive protection methods and risk management. The opportunity is taken to incorporate new technologies and identified best practice into fire safety systems, policies and procedures.

Health and Safety

Health and Safety within the Royal Household is coordinated by the central Health and Safety Branch. This team is supported by first aiders and health and safety representatives within all departments across the Royal Household. Proactive consultation is undertaken throughout the year, with the team giving advice through workplace inspections and risk assessment. A Health and Safety Committee Meeting takes place in London, Windsor and Edinburgh once a year.

The Royal Household's Health and Safety Policy documentation provides comprehensive procedures to ensure that high standards of health and safety management are maintained. The health and safety culture throughout the Royal Household, whilst improving, is under continual review and supplemented by training from both in-house and external sources. Communicating a positive approach to health and safety remains the current focus of attention.

The branch occasionally undertakes the role of Construction Design & Management Coordinator on projects that fall within the requirements of the Construction (Design and Management) Regulations 2007. Generally, however, projects are contracted to competent consultants.

INFORMATION SECURITY AND MANAGEMENT

The Royal Household has suffered no protected personal data incident during 2010-11 and has made no report on such a loss to the Information Commissioner's Office.

OPERATING AND FINANCIAL REVIEW

OVERVIEW OF THE YEAR

The Royal Household, in addition to enabling The Queen to undertake Her Majesty's constitutional duties as Head of State, helped support The Queen in fulfilling this programme of tours, garden parties, receptions and official entertaining.

THE CIVIL LIST

In 2010 The Queen undertook 387 public engagements in the United Kingdom and 57 overseas engagements whilst The Duke of Edinburgh undertook 308 official engagements. Highlights of Her Majesty's schedule included:

- An inward State Visit was paid by the President of South Africa and Mrs Zuma in March. Preceding the visit, The Queen gave a Reception for South Africans living in the United Kingdom.
- His Highness The Emir of the State of Qatar, Sheikh Hamad bin Khalifa Al-Thani, paid a State Visit to the United Kingdom in October. The Emir stayed at Windsor Castle, with his Consort Her Highness Sheikha Mozah bint Nasser Al-Missned.
- Her Majesty and His Royal Highness visited Canada in late June and early July. Following the tour, The Queen gave a speech at the United Nations in New York and paid a visit to Ground Zero to lay a wreath.
- In September His Holiness Pope Benedict XVI paid a Papal Visit to the United Kingdom. His Holiness arrived in Edinburgh and was received by The Queen and The Duke of Edinburgh at the Palace of Holyroodhouse.
- In November The Queen and The Duke of Edinburgh paid State Visits to Oman, at the invitation of His Majesty Sultan Qaboos bin Said, and to the United Arab Emirates, at the invitation of His Highness Sheikh Khalifa bin Zayed al Nahyan.
- In November Her Majesty gave a Reception at Windsor Castle for those working, living and contributing to the rural communities of the United Kingdom.
- In November The Queen constituted the ninth General Synod of the Church of England.
- In February Her Majesty gave a Reception for those involved in the British clothing industry.
- Other parts of the United Kingdom that Her Majesty visited included: Sheffield, Norwich, Cheshire, Dumfries, Galloway and Northern Ireland.
- There were 25 (2009: 27) Investitures at Buckingham Palace, the Palace of Holyroodhouse and Windsor Castle during which around 2,500 (2009: 2,600) people received honours. A Diplomatic Reception was held in December 2010 at Buckingham Palace; approximately 1,000 diplomats and British guests attended.
- The Queen also entertained around 41,000 people (2009: 36,500) at seven (2009: seven) Garden Parties held at Buckingham Palace and the Palace of Holyroodhouse.

FINANCE

Following the implementation of a purchase order processing system in the Civil List funded areas last year which completed the roll out across all Household departments, procurement guidance has been developed and introduced for all areas during 2010. The guidance covers aspects of procurement such as tendering, contract management and supply chain management. The introduction of this guidance is part of an ongoing process and involves training sessions for both new and existing staff.

INFORMATION SYSTEMS

During 2010 the Information Systems team designed and implemented an automated system to handle the security clearance for all visitors and contractors. This has reduced clearance times to hours rather than days and has saved significant man hours. A new contracts management database has also been introduced to formalise the storage of all contract information and to automatically advise those responsible when contracts will expire or renew. This is currently being piloted prior to full implementation in 2011-12. The Royal Household intranet was upgraded to include a new facility for general electronic forms and the production of the printed phonebook is now fully automated.

INFORMATION SECURITY AND MANAGEMENT

During 2010, security risk software was introduced and is used to identify and control operational risks. The Royal Household's ISO 27001 status was assessed through external consultancy and the recommendations are now being taken forward. Work on the Royal Household's Information Asset Register and retention schedules is now complete.

PERSONNEL

The new web based recruitment system ensured that 4,700 applications for employment within the Household were processed efficiently, facilitating more effective decision making. During the year, the system was linked to the new electronic visitor access programme, thereby streamlining the administration of the interview process. By the end of the year staff had access to the new self service facility on the Personnel system, allowing them to book training courses, submit requests for leave and update their employment records. Learning and Development launched their newly accredited "Supervisor and First Line Management" Chartered Management Institute course and the e-learning programme software was installed. During the year the intranet was re-launched and staff who were surveyed on its new format provided very positive feedback.

PROPERTY SERVICES

The Property Services Grant-in-aid had remained at £15 million since 1999-00, a reduction of 32% in real terms to 31 March 2010. Following the Chancellor of the Exchequer's announcement of spending cuts on 24 May 2010, the Department for Culture, Media and Sport confirmed that funding for Property Services would reduce by £0.4 million to £14.6 million in 2010-11. The Chancellor further confirmed as part of his Spending Review Statement on 20 October 2010 that funding would remain unchanged in 2011-12.

The introduction of the new funding arrangements for the Royal Household in the form of the Sovereign Grant from 2012-13 will continue to present challenges for the Property Section. Further cuts in funding will mean that the budget for projects in the Annual Works Programme is likely to reduce from £4 million in 2010-11 to around £3 million in 2012-13. This will inevitably lead to the deferral of works and will increase the backlog. Furthermore, it is likely that the programme will become more reactive than planned. In 2011-12, for example, the roof to the Augusta Tower will be renewed because the lead has split and pin-holed, causing leaks into the rooms below. Significant repairs will also be carried out to the mains distribution boards, some of which have failed as a result of routine generator tests. It is anticipated that planned work will be deferred in favour of more urgent reactive repairs for the foreseeable future.

Reports in previous years have stated that the value of the backlog will be reassessed on completion of the condition surveys that were started after the Public Accounts Committee hearing in January 2009. However, in light of the reduction in funding, it is apparent that key projects will not be undertaken, including:

- more extensive renewal of lead and slate roofs at Buckingham Palace and Windsor Castle – it is likely that only one area will be achieved in each financial year at each site rather than three;
- refurbishment of the State Rooms at Buckingham Palace and Windsor Castle, none of which are included in the plans;
- replacement of existing heating and electrical services at Buckingham Palace, with associated asbestos removal, which will now take 15-20 years to complete;
- replacement of cast iron and lead Victorian water mains at Windsor, which is excluded from the plans; and
- conservation work on the Victoria and Albert Mausoleum, which will remain on English Heritage's Buildings at Risk register because work will be carried out over the next 5-8 years, rather than 2-3 years.

The Royal Household continues to pursue opportunities to reduce costs and generate income from the Estate's assets. In 2010-11 income from facilities management charges and commercial lettings increased by 25.0% from £3.6 million to £4.5 million. The increase is largely due to an additional facilities management charge of £0.8 million following a successful VAT claim by the Royal Collection. However, these initiatives alone are unlikely to be successful in averting the growth in backlog in future years and further funding will be required in due course.

MAJOR PROJECTS IN THE YEAR

In 2010-11 a total of 113 revenue funded projects over £3,500 in value were carried out across the estate. Four of these projects had a construction works spend in excess of £250,000 in the year and individually accounted for 14% of the total project spend across the whole estate.

Repair of the Quadrangle Façade at Buckingham Palace (£3.5 million works, £0.3 million fees)

The main part of Buckingham Palace was built in a 'C' shaped plan to the designs of John Nash in 1825, but the wing at the front of the Palace was built in 1846 to form an enclosed Quadrangle. This East wing was constructed of Caen stone, but the façades were painted in 1853, only seven years after its completion, because stone had started to crumble. In 1913, the Mall façade was re-faced in Portland stone, but the Quadrangle façade remained painted. In May and October 2006 large pieces of stone fell from this façade and further loose fragments were removed immediately afterwards. It became a major risk to health and safety and therefore repair of this façade was brought forward in the five year plan. Following completion of a trial area, the main contract commenced in January 2009, dividing the façade into three phases. The works comprised removal of nineteen coats of oil paint using chemical strippers, replacement of defective stone (including carving of decorative features), re-pointing and protection of 'sky' surfaces with lead. Works were completed in September 2010 and the final account settled at £3.8 million. The increase in cost against the let tender sum of £2.5 million was due to the extent of the repair work, which was significantly greater than was anticipated on completion of the trial area.

Repair of the Ballroom roof at Buckingham Palace (£0.7 million works, £0.1 million fees)

The Ballroom in Buckingham Palace is one of the most important rooms within the Palace. It is used extensively for State, ceremonial occasions and for numerous other functions and receptions including investitures. Leaking areas of the roof caused damage to the highly decorative plaster ceiling below which necessitated specialist high level inspection and repairs to stabilise the fibrous plaster and on three recent incidents caused considerable damage to newly refurbished seating below.

The original slates for the roof came from Wales in the 1850's, and no major works took place until approximately the early 1950's when the lead gutters were replaced. The 1960's saw the re-slating of the roof using the existing slates. In 2010, it was decided to repair the roof again because the lead gutters had failed, made worse by some timber supports to the gutters being removed or altered during the installation of metal trusses a number of years ago to support the winding gear to raise and lower the chandeliers.

The project involved the erection of a temporary roof to cover the whole roof, the phased removal and storage of all slates (at roof level) to allow the timber gutters and lead to be repaired or replaced as necessary and then the re-fixing of the previously removed slates. The work was phased to ensure the weight on the roof remained as near as possible constant to its current loading to minimise the possible heave in the roof structure as the load was removed. This reduced the risk of damage to the ornate plaster ceiling below.

The asphalt which was put on top of the parapets wall adjacent to the gutter, which probably dates from the late 1950's, had also failed in a number of areas. This was removed and the sky surface was repaired, prepared and covered with lead.

The temporary roof and material access hoist were specially designed along with the holding down anchors to secure the temporary structure in place.

The total cost to the Grant-in-aid, including fees and VAT was £0.8 million.

Installation of Flat Plate Heat Exchangers at Buckingham Palace (£0.4 million works)

Over the past five years, there has been an ongoing project to upgrade the mechanical plant rooms by replacing the original shell and tube pressure vessels with flat plate heat exchangers. This project dealt with plant that was past its life expectancy, had poor controls and high levels of maintenance. Prior to the upgrade, the main boilers distributed water at 110 degrees C for space heating and 60 degrees C for domestic hot water with substantial distribution losses in the network. The upgrades introduce flat plate heat exchangers, which are highly efficient and responsive, and will allow the distribution temperature for space heating to be lowered to 85 degrees C in winter, resulting in savings in gas consumption and lower maintenance costs for the plant.

External Repairs of North Side State Rooms at Windsor Castle (£0.3 million works to date)

This important roofing project comprises three distinct phases which share a common scaffolding and temporary roof structure.

Phase one comprises the removal of a 20th century toilet block extension over the Queen's Audience Chamber which had become unstable due to severe corrosion of the compound iron beams which supported it. Careful piece by piece removal was followed by phase two, the replacement of the lead roof below to complete the roofing works over the Audience Chamber which were carried out in the previous year.

Phase three is a straightforward replacement of an ageing lead roof over four guest bedrooms on the Northside of the Castle. The existing structure is being adapted to improve drainage details and provide additional ventilation. The discovery of significant beetle attack, masked by extensive internal fire protection, has also added a significant structural element to this phase of the project.

FEES

The Property Section has a relatively small in-house staff and, for more complex projects and for those with a construction cost of approximately £0.1 million or more, external architects, structural engineers, mechanical and electrical engineers and quantity surveyors are employed. The majority of design and contract documentation was undertaken by external architects and other consultants for 25 of the 113 projects in progress during the year (2009-10: 26 out of 146). The 2010-11 fee ratio for the projects, including the appropriate proportion of in-house supervision costs, was 7.8% (2009-10: 7.3%). The overall ratio, including smaller projects, for which the architectural and other services are largely provided by in-house staff, was 20.1%, as mentioned on page 62 (2009-10: 17.0%).

GENERAL MAINTENANCE

General maintenance costs comprise preventative/planned and reactive work. Preventative or planned maintenance includes small areas of redecoration and other repair work costing less than £3,500, regular inspections of lifts, boilers and other equipment and plant, work arising from in-house inspections, and routine tasks such as sweeping roofs and paths and clearing rubbish. Reactive maintenance includes minor repairs to blocked drains, sticking windows, leaking roofs, changing light bulbs, and so on. Expenditure on general maintenance reduced by £0.4 million (10.8%) from £3.7 million to £3.3 million in 2010-11.

FACILITIES MANAGEMENT CHARGE

The Property Section charges the Royal Collection for the use of facilities at Windsor Castle and Buckingham Palace in connection with the admission of visitors. Accordingly, the income from facilities management charges increased by £0.1 million from £2.3 million to £2.4 million in 2010-11.

Following a successful claim by the Royal Collection for the recovery of VAT relating to the period 1993 - 1996, the Property Section made an additional facilities management charge of £0.8 million during the year in accordance with the arrangements in place at that time.

SUPERVISION

Supervision includes the payroll cost of the Property Maintenance Central Unit and of the Property Managers, Building Surveyors and Administration staff after netting off recharges to other funding sources. Further details are provided in note 3 to the accounts on pages 73 and 74. It also includes the cost of measured and condition surveys, property-related consultancies and computer equipment and office supplies for property maintenance staff.

UTILITIES

Considerable emphasis is placed on energy conservation, both to save costs and to reduce environmental pollution. As a result of work undertaken to estimate the Household's carbon footprint it was identified that the two principal areas to target for a reduction in carbon emissions are electricity and gas consumption. In 2010-11, SMART meters were installed across the Estate to facilitate the monitoring of consumption. At 31 March 2011, 94% (2009-10: 79%) of electricity and 90% (2009-10: nil%) of gas consumption is covered by SMART meters.

Electricity

In 2010-11 approximately 8.5 million kWh (2009-10: 9.7 million kWh) were consumed on the Estate, a decrease of 12.6%. The combined heat and power units (CHP) located at Buckingham Palace and Windsor Castle produced 3.4 million kWh of this consumption (2009-10: 2.8 million kWh).

Gas

In 2010-11 approximately 27.0 million kWh (2009-10: 24.1 million kWh) were consumed on the Estate, an increase of 12.2%. The CHP units in both London and Windsor provide hot water during the summer allowing the main boilers to be switched off and thereby reducing gas consumption. However, the savings were offset by increased consumption during the very cold period in November and December 2010.

Carbon Emissions

Higher consumption of gas was offset by lower consumption of electricity in 2010-11 which decreased carbon emissions on electricity and gas by 3.8% (2009-10: increase of 2.4%).

Water and Sewerage

Water is provided to Windsor Castle and the Home Park from the Castle's small 19th Century waterworks. At other locations water is provided by the public supplier.

Meters monitoring hot-water consumption at Buckingham Palace are linked to the Building Energy Management Control System to facilitate analysis and control. In 2010-11 approximately 0.2 million litres were used across the estate (2009-10: 0.2 million litres).

Telephones

The Royal Household currently receives more than 700,000 calls a year of which over 400,000 incoming calls were handled by the switchboard operators who together with the fire team at Windsor Castle provide a twenty-four hour, seven day a week switchboard service.

Buckingham Palace is linked to all the other Royal residences via a Private Network Emulation set-up and during the year additional links and upgrades were implemented for resilience. Full disaster recovery tests are carried out twice yearly.

Following a review of all telephone lines during the year, international calls are now re-routed to a lower cost carrier resulting in cost savings.

NON-DOMESTIC RATES

A contribution in lieu of non-domestic or business rates is paid in respect of those areas of the Palaces which are not used for domestic purposes (e.g. offices and workshops). This contribution is as notified by the Government Valuation Office. Council Tax is paid from the Grant-in-aid for properties that are vacant and for communal staff accommodation. The Royal Family and all other residents with self-contained accommodation pay their own Council Tax, except for the Chaplain (in accordance with normal arrangements for the clergy).

COURT POST OFFICE

Royal Mail staff operate the Court Post Office, providing a wide range of services including:

- the running of Post Offices at Buckingham Palace and Windsor Castle, which provide counter and delivery services;
- all postage;
- courier and delivery services between the Palaces, and at other residences for The Queen and The Prince of Wales; and
- other services, such as telegrams and despatches.

With effect from 1 February 2011 VAT is now payable on the services provided (excluding postage).

GARDENS

Buckingham Palace

The garden covers an area of approximately 39 acres including the lake. The gardeners at Buckingham Palace are also responsible for the flower beds and grass areas at Kensington and St James's Palaces, an aggregate area of approximately 15 acres. Approximately 33,000 (2009-10: 28,000) people walked round the Buckingham Palace garden during the summer Garden Parties and around 420,000 (2009-10: 402,000) people saw parts of the garden as they walked out through it, having visited the Buckingham Palace State Apartments. In addition, 5,500 people participated in tours of the Buckingham Palace gardens (2009-10: 3,500) and 12,000 (2009-10: 19,000) people walked around the garden of Clarence House during summer opening visits.

Windsor Castle

The gardeners operate a one acre glasshouse located in the Windsor Home Park and maintain the surrounding areas. Their principal responsibility is to grow and maintain specimen plants for internal display at Buckingham Palace and Windsor Castle during state visits and other official occasions. Commercial activities include the sale of Christmas poinsettias and other plants to offset operating costs.

FURNITURE AND EQUIPMENT

Fourteen craftsmen including cabinetmakers, gilders, upholsterers, French polishers and clockmakers are responsible for maintaining and repairing furniture and furnishings used in official areas of the Palaces. Work undertaken for other Households and external funding sources is recharged accordingly.

This section also meets the cost of purchasing office furniture and equipment for staff paid from the Grant-in-aid.

RENT AND OTHER RECOVERIES

Rent receivable includes commercial lettings of apartments and properties, and payments in respect of non-official employees housed on the Estate and from pensioners allocated their accommodation since the Household assumed responsibility for Property Services on 1 April 1991. In addition, income is received from the Royal Windsor Horse Show and Royal Collection Enterprises for the use of office accommodation at Windsor Castle and St James's Palace, and from the College of St George for the temporary use of residential accommodation at Windsor.

Commercial lettings of properties increased from an average of 40 in 2009-10 to 43 in 2010-11 and income from commercial lettings remained at £1.3 million for the year.

COMMUNICATIONS AND INFORMATION

The Communications and Information Grant-in-aid had remained at £520,000 since 2002-03, a reduction of 30% in real terms to 31 March 2010. Following the Chancellor of the Exchequer's announcement of spending cuts on 24 May 2010, the Department for Culture, Media and Sport confirmed that funding for Communications and Information would reduce by £16,000 to £504,000 in 2010-11. The Chancellor further confirmed as part of his Spending Review Statement on 20 October 2010 that funding would remain unchanged in 2011-12.

The British Monarchy's web presence has continued to expand through the use of social media in 2010-11. Flickr and Facebook accounts were launched during the year and attract an ever increasing number of followers. The British Monarchy's Facebook page regularly sees more than 15 million post views (the number of times people have viewed a new feed story posted by the British Monarchy) each month, whilst the Flickr account can experience 50,000 photo views or more in a single day.

ROYAL TRAVEL

Almost 3,000 official engagements were undertaken across the United Kingdom and overseas by members of the Royal Family during the year to 31 March 2011. These involved a significant amount of travel that needed to be undertaken in a way which met efficiency, security and presentational requirements and minimised disruption to the public. A list of the 65 (2009-10: 54) journeys undertaken by members of the Royal Family and their staff during 2010-11 which had travel costs of £10,000 or more, met from the Royal Travel Grant-in-aid, is given on pages 108 to 115. The two largest tours during the year were those undertaken by The Prince of Wales and The Duchess of Cornwall to India, and The Queen and The Duke of Edinburgh to the United Arab Emirates and the Sultanate of Oman.

The environmental impact of Royal Travel is influenced by the scale of overseas travel mixed with domestic journeys. Although the overseas tours are determined by the Foreign and Commonwealth Office and UK Trade and Investment, the Household aim to minimise this impact without compromising the ability of The Queen and members of the Royal Family to fulfil their official duties. With effect from 1 January 2007, the Royal Household has participated in the Government Carbon Offsetting Fund. In 2010-11, 3,338 tonnes of carbon are due to be offset at a cost of £39,000 (2009-10: 2,163 tonnes at a cost of £60,000).

FUTURE DEVELOPMENTS

Developments planned for the next year include the following:

FUNDING

Civil List expenditure for the year to 31 December 2011 and the three months to 31 March 2012 will be met from the annual payment of £7.9 million from HM Treasury (pro rata for the three months to 31 March 2012) and the draw down of reserves. Subject to primary legislation, it is anticipated that with effect from 1 April 2012, the funding provided to meet The Queen's official expenditure will be consolidated into a Sovereign Grant which will be set at £31.0 million for 2012-13 (including £1.0 million for activities associated with the Diamond Jubilee) compared with expenditure of £32.1 million in 2010-11. In 2011 and 2012, the Royal Household will continue to examine opportunities to reduce net expenditure to match the reduction in funding.

FINANCE

Following the introduction of the Procurement Guidance during 2010, further work is taking place to roll out a comprehensive suite of Finance for Non-Financial Managers courses, which include modules on Management Accounts, Financial Control, Procurement and Business Administration.

In preparation for the new Sovereign Grant funding arrangements from 1 April 2012, finance operations and reporting are being reviewed in order to realise efficiencies from the aggregation of the separate funding sources.

INFORMATION SYSTEMS

During 2011 the Information Systems department will be upgrading the current hospitality planning system with a web based system that can be used for individual room bookings. There are also additional projects planned around data security and ISO 27001 compliance as well as continuing to look at various business processes within the Household with the aim of automating as much as possible and ensuring that these processes can cope with the increased workloads expected in association with the Diamond Jubilee in 2012.

INFORMATION SECURITY AND MANAGEMENT

Work on compliance with ISO 27001 and HM Government's Information Assurance Maturity Model will continue in 2011. As part of this work, the Household will roll out a comprehensive Information Assurance training programme. Information Security Awareness training will be mandatory for all staff along with additional training for those with particular responsibilities, such as Data Owners.

A new, more flexible Protective Marking system has been designed and will be implemented before the end of the year and a new Incident Reporting tool is due for implementation which will offer significant improvements over the current system.

Further work will be carried out in assessing the use of a Benefits Realisation Management process to prioritise any changes to information based activities in the Household.

PERSONNEL

Personnel, working closely with the Private Secretary's Office will be developing and implementing a new Internal Communications strategy in 2011. This will entail a more structured approach to disseminating information throughout the Household, engaging with staff using a variety of communication channels, including e-briefings and videos, the continuation of the successful Lord Chamberlain's feedback sessions and a programme following up on the 2010 Staff Survey. Successful accreditation by Investors in People in 2010 has reinforced that the Household has good employment practices, and Personnel will be working closely with the Heads of Department to ensure more progress is made before re-assessment in 2012. During 2011 work will continue in support of the new Sovereign Grant funding arrangements, with Personnel undertaking reviews of organisational structure, and managing headcount reduction by not filling certain vacant positions. Enhancement of the Household's wellbeing strategy has led to an integrated approach to occupational health and welfare, staff engagement and performance management, and delivered practical outcomes with reduced staff sickness and positive feedback in the staff survey. This programme will continue to be developed in 2011. Learning and Development opportunities will include internal and external secondments, and a training programme including in-house coaching delivered on a reduced central budget. A middle management development programme will, it is hoped, be introduced to build on the success of the 'Supervisor and First Line Management' Chartered Management Institute accredited programme introduced in 2010. Further work is being undertaken to develop the Leadership Competency Framework initiated for senior managers in the 2011 Personal Development Review. The e-Learning programme launched in 2010 will be further extended, with a particular focus on providing courses on mandatory training such as Health and Safety, Security and Information Assurance.

PROPERTY SERVICES

The Annual Works Programme and Ten Year Plan of the Property Section has a number of major projects which aim to meet the objectives set by the Department for Culture, Media and Sport, as follows:

Replacement of Services at Buckingham Palace

Over the next 15-20 years, it is intended to replace the heating, hot-water and electrical services throughout the Palace, most of which is over 50 years old. Initially main fuse boards are being replaced, but with the completion of the Back Mews and vacation of areas that could be used as temporary accommodation, it is proposed to replace services within one half of one wing of the Palace at one floor level a year. Asbestos removal will be part of this programme and the opportunity will be taken to install containment for data and telephone services to allow them to be upgraded in the future with relative ease.

Refurbishment of the Basement Duct at Buckingham Palace

To enable the replacement of mains electrical cables throughout Buckingham Palace, it is intended to remove the cover to the duct running in the basement of three of the four wings. Asbestos will be removed, redundant cabling will be removed and new cabling will be dressed back and properly supported. The duct cover will be replaced by new trays that will provide access for the full length of the duct, which will ease the future replacement of cables serving main fuse boards.

External Fabric Repairs

The long-term programme of external fabric repairs at Buckingham Palace and Windsor is extensive and is therefore dependent on increased funding. It is however intended to manage a limited programme of repairs, including the renewal of roofing to Augusta Tower at Windsor Castle and slate and lead roofing in the Royal Mews at Buckingham Palace.

Commercial Lettings

Every opportunity is taken to maximise income to offset a static and now reduced Grant-in-aid through growth in the number of properties available for commercial letting. The key consideration is that the initial investment in refurbishment has a reasonable payback. The Property Section, as recommended by the National Audit Office, has prepared a forward looking plan that explores the scope to free up properties for commercial letting and identifies properties on the Estate which do not contribute to the Household's operations. It is anticipated that this will result in refurbishment projects in London being prioritised to achieve higher levels of income generation.

Condition Monitoring

One of the recommendations arising from the National Audit Office report in December 2008 related to improvements to the monitoring of condition, so that the Department for Culture, Media and Sport can be satisfied that the buildings in the Estate are being maintained in line with the objectives that the Department sets for the Property Section. The Property Section completed a trial of the software developed by Defence Estates for recording condition assessments during the year it is anticipated that all condition assessments will have been updated by December 2011, as agreed with the National Audit Office. This web based system will record actual condition against target condition and will therefore assist in determining the backlog in essential maintenance across the Estate.

ENVIRONMENTAL

In accordance with the Royal Household's approved energy management strategy, a project to install SMART meters throughout the Estate was completed during the year. The Property Section will now develop a plan to target areas for reduction in energy consumption based on the enhanced information available.

Combined heat and power units generate electricity in Buckingham Palace and Windsor Castle, while also providing heated water which allows the main boilers to be turned off during the summer. These units are supplemented by flat plate heat exchangers, which have been installed in place of calorifiers to provide hot water. LED lighting is being introduced alongside low energy lamps. Water from the borehole at Buckingham Palace is being used to cool the chillers which provide air conditioning to The Queen's Gallery and wine cellars, the water is then being used to irrigate the garden. Waste management continues to be improved in partnership with waste companies, and in-house measures will be implemented throughout the Household to reduce waste at source.

The opportunity to obtain electricity from hydro-electric generation in Windsor continues to be explored now that a scheme has been approved by the Environment Agency and it is hoped that it will be installed during 2011.

COMMUNICATIONS AND INFORMATION

Further development of the British Monarchy's social media accounts, such as Facebook and Flickr, is planned for 2011-12, alongside the day-to-day work of updating the British Monarchy's official website (www.royal.gov.uk) and the development of a website to celebrate The Queen's Diamond Jubilee in 2012.

ROYAL TRAVEL

Improvements in the internal reporting of Royal Travel expenditure will be implemented in 2011-12 in order to facilitate better programme planning and the transition to a lower funding environment in 2012-13.

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Keeper of the Privy Purse, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the Royal Household in areas funded by the Civil List and Grants-in-aid, 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 Keeper of the Privy Purse are defined in Financial Memoranda relating to the Civil List and Grants-in-aid¹.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of Royal Household policies, aims and objectives;
- evaluate the likelihood of those risks being realised;
- assess the impact should they be realised;
- manage those risks efficiently, effectively and economically.

The system of internal control 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 Treasury guidance.

Capacity to handle risk

Strategic leadership of the risk management process comes from the Lord Chamberlain's Committee. Departmental Heads and senior managers are responsible for identifying, assessing and managing risk in their areas of responsibility and all Royal Household staff are encouraged to identify operational risks in the performance of their duties.

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 Audit Committee for the Civil List and Grants-in-aid is 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 Committee reports annually to the Lord Chamberlain's Committee on the Audit Committee's activities and responsibilities.

¹ Financial Memorandum relating to the Civil List; Financial Memorandum for the maintenance of the Occupied Royal Palaces in England and Royal Communications and Information, and for the maintenance of Marlborough House; and, Financial Memorandum relating to the Grant-in-aid for Royal Travel by Air and Rail.

The Royal Household Investment Committee which comprises the Lord Chamberlain, the Keeper of the Privy Purse and the Deputy Treasurer to The Queen is responsible for managing the investment of Civil List surplus funds and monitoring the balance of counterparty risk against return.

Specialist risk managers in the Royal Household include the Fire Safety Managers in Windsor and London, the Health and Safety Manager and the Director of Security Liaison. These specialists provide advice on the management of the risks falling within their areas of responsibility and provide annual reports to the Lord Chamberlain's Committee.

The risk and control framework

The Royal Household's management of risk is facilitated in the following ways:

- There is a Royal Household strategic risk register which has been developed with reference to the Royal Household's objectives and is underpinned by integrated departmental risk registers. These are reviewed by the Lord Chamberlain's Committee and departmental management teams on a regular basis.
- The Audit Committee met three times in the period covered by this report and has reviewed the risk registers at its meetings. The Audit Committee regularly requires Heads of Department and senior managers to present an outline of the activities in their area of responsibility to ensure that key risks are appropriately identified and being managed.
- The internal audit function takes a risk-based approach to audits and operates to a plan of work agreed by the Audit Committee that is aligned to the risk registers and Royal Household objectives. The findings of reviews are reported to the Audit Committee.
- The Audit Committee monitors management's progress with the implementation of agreed internal audit recommendations ensuring that management establish appropriate priorities.
- Assurance on specialist areas such as property maintenance and Royal Travel is provided by suitably 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 Civil List and the Grants-in-aid is facilitated through regular meetings with HM Treasury, the Department for Culture, Media and Sport and the Department for Transport.

Some of the improvements and initiatives that have been made during the year include:

- A contracts database which will enhance the management and review of the Royal Household's contracts was introduced in February 2011 as a pilot. Full implementation is anticipated in 2011-12.
- Adoption of HM Government's Information Assurance Maturity Model during the year, complementing the work already carried out on compliance with ISO 27001.
- Business continuity plans were developed further during the year based on a number of scenarios. Co-ordination and testing of the plans will continue during 2011-12.
- The Royal Household Security Risk Management Board met twice during 2010-11 to consider reports from the Information, Personnel and Physical Security Working Groups. A programme of information security awareness training was developed and is being rolled out across the Royal Household. Guidance on the use of BlackBerrys and mobile phones whilst overseas was also updated.
- As part of the Royal Household Energy Management Strategy, SMART meters have been installed in order to facilitate monitoring of electricity and gas and to set targets for reduction in consumption. Approximately 94% (2009-10: 79%) of electricity consumption and 90% (2009-10: nil%) of gas consumption is now covered by SMART meters.
- All staff were required to undertake Display Screen Self Assessments and attend a Health & Safety Awareness update.
- Following the reports of the National Audit Office and the Public Accounts Committee on the maintenance of the Occupied Royal Palaces, the Property Services section is now establishing a more structured approach to condition surveys of the Palaces in order to help determine the extent of maintenance work required to bring the properties to a target condition (to be agreed with the Department for Culture, Media and Sport). Using software developed by Defence Estates it is anticipated that condition assessments for the whole estate will have been completed by December 2011. This will enable the Household to determine the shortfall against target condition for each part of the Estate and thus provide a more accurate assessment of the expenditure required to bring the Estate up to its agreed target condition. Additionally, systems for improving financial management of individual projects are being enhanced.

Review of effectiveness

As Keeper of the Privy Purse, I have responsibility for ensuring the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is supported by the work of the internal auditors and the senior managers within the Royal Household who have responsibility for the development of the internal control framework, and comments made by the external auditors and other qualified professionals in their management letters and reports. I have considered the results of the reviews of the effectiveness of the system of internal control by the Audit Committee and have agreed a plan to address weaknesses and ensure continuous improvement of the system is in place.

No significant internal control issues have arisen during the period covered by this report.

Sir Alan Reid

Keeper of the Privy Purse

9 June 2011

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

THE CIVIL LIST

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

- the administration of the Civil List fully accords with the accounts directions given by the Treasury in pursuance of Section 9 of the Civil List Audit Act 1816; and
- the Civil List is applied only for the purposes set out in the Financial Memorandum between the Royal Household and the Treasury and in the Civil List Act 1972.

GRANT-IN-AID FOR PROPERTY SERVICES AND ROYAL COMMUNICATIONS AND INFORMATION

Under the terms of the Memorandum of Understanding and the Financial Memorandum in respect of Property Services and Royal Communications and Information, dated 28th September 2006, the Keeper of the Privy Purse is responsible for ensuring that:

- the administration of the Grant-in-aid fully accords with *Managing Public Money* and other guidance that may be notified to the Royal Household by the Department for Culture, Media and Sport; and
- the Grant-in-aid is applied only for the purposes approved by the Lord Chamberlain and the Secretary of State for Culture, Olympics, Media and Sport as set out in the Memorandum of Understanding.

He is required to submit this annual report to the Lord Chamberlain and the Secretary of State for Culture, Olympics, Media and Sport.

GRANT-IN-AID FOR ROYAL TRAVEL

Under the terms of the Memorandum of Understanding dated 25th March 1997 and the Financial Memorandum dated May 2002, the Keeper of the Privy Purse is responsible for ensuring that:

- the administration of the Grant-in-aid fully accords with *Managing Public Money* and other guidance that may be notified to the Royal Household by the Department for Transport; and
- the Grant-in-aid is applied only for the purposes approved by the Lord Chamberlain and the Secretary of State for Transport and set out in the Memorandum of Understanding.

He is required to submit, jointly with the Private Secretary to The Queen, this annual report to the Lord Chamberlain and Secretary of State for Transport.

GENERAL

The Keeper of the Privy Purse is 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 Financial Memoranda, for the income and expenditure;
- the Grants-in-aid and Civil List are used economically, efficiently and effectively to secure good value for money, in accordance with propriety and regularity;
- staff paid from the Grants-in-aid or Civil List take financial considerations fully into account at all stages in framing, reaching and executing decisions in so far as the Grants-in-aid or Civil List 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 Grants-in-aid and Civil List funds and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The Keeper of the Privy Purse, who held office at the date of approval of this report, confirms that, so far as he is aware, there is no relevant audit information of which the Civil List and Grants-in-aid 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 Civil List and Grants-in-aid auditors are aware of that information.

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.

Sir Alan Reid

Keeper of the Privy Purse

9 June 2011

The Queen's Civil List
Annual Report 2010

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INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31 December</i>		2010	2009
	Note	£m	£m
Civil List funding received:			
Annual Civil List		7.9	7.9
Draw-down from reserve		5.6	6.5
		<u>13.5</u>	<u>14.4</u>
		13.5	14.4
Salaries	3	10.2	10.3
Other expenditure			
Catering and hospitality		1.2	1.2
Executive and administrative		1.2	1.5
Housekeeping and furnishings		0.5	0.6
Ceremonial functions		0.4	0.3
Other		0.2	0.3
Total net expenditure	5	<u>13.7</u>	<u>14.2</u>
		13.7	14.2
Net funding (from)/ for fixed assets and working capital		<u>(0.2)</u>	<u>0.2</u>
		(0.2)	0.2

Total net expenditure in 2010 includes approximately £0.5 million in respect of VAT (2009: £0.5 million).

The accounting policies are summarised on pages 49 and 50. The Income and Expenditure Account should be read in conjunction with the Statement of Total Recognised Gains and Losses, the Balance Sheet and Cash Flow Statement on pages 45, 46 and 47 respectively.

The results shown above relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31 December</i>	2010	2009
	£m	£m
Net funding (from)/ for fixed assets and working capital	(0.2)	0.2
Actuarial gain / (loss) for the year	0.2	(0.3)
Total recognised losses relating to the year	<u>—</u>	<u>(0.1)</u>
	=====	=====

BALANCE SHEET

<i>As at 31 December</i>	Note	2010 £m	2009 £m
Fixed assets	6	2.2	2.5
Current assets			
Stock	7	0.4	0.4
Debtors	8	1.6	1.0
Cash at bank and in hand		0.5	1.2
		2.5	2.6
Creditors: amounts falling due within one year	9	(2.1)	(2.2)
Net current assets		0.4	0.4
Total assets less current liabilities excluding pension scheme liability		2.6	2.9
Pension scheme liability	4	(0.9)	(1.2)
Net assets		1.7	1.7
Represented by:			
Reserves	10	1.7	1.7

Sir Alan Reid

Keeper of the Privy Purse

9 June 2011

CASH FLOW STATEMENT

<i>Year to 31 December</i>	2010	2010	2009	2009
	£m	£m	£m	£m
Reconciliation of total net expenditure to Civil List funding				
Total net expenditure		(13.7)		(14.2)
Depreciation	0.4		0.5	
Net excess of contributions over pension service costs	(0.1)		(0.1)	
(Increase) / decrease in debtors	(0.6)		0.1	
(Decrease) / increase in creditors due within one year	(0.1)		0.3	
		(0.4)		0.8
Net cash outflow from activities		(14.1)		(13.4)
Capital expenditure – fixed assets acquired and disposed		(0.1)		(0.6)
Net cash outflow before funding		(14.2)		(14.0)
Civil List funding received		13.5		14.4
Net (decrease) / increase in cash		(0.7)		0.4
		=====		=====
Reconciliation of cash balances		2010		2009
		£m		£m
Cash at bank as at 1 January		1.2		0.8
Net (decrease) / increase in cash		(0.7)		0.4
Cash at bank as at 31 December		0.5		1.2
		=====		=====

CIVIL LIST RESERVE

The Civil List Act 1972 provides that, when the annuity payable under the Act exceeds Civil List expenditure for the year, the excess should be paid to the Royal Trustees to be accumulated by them and applied to meet deficiencies in future years. The Royal Household Investment Committee was established by a Treasury Minute of 30th December 1990 to invest such surpluses on behalf of the Royal Trustees.

During the previous ten-year period to December 2000 a surplus of £35.6 million was accumulated, and is invested by the Royal Household Investment Committee. It was agreed that the Civil List would remain at an annual amount of £7.9 million for the following ten-year period to December 2010, and there would be a transfer of additional expenditure to the Civil List with effect from 1 April 2001. To the extent that Civil List annual expenditure exceeded the £7.9 million payment, amounts could be withdrawn from the reserve each year rather than being paid into it.

The Civil List expenditure exceeds the annual £7.9 million payment and amounts are therefore now withdrawn from the reserve each year.

The annual amount to be withdrawn is determined when the Civil List budget is prepared towards the end of the preceding year.

	2010	2009
	£m	£m
Net expenditure for the year	(13.7)	(14.2)
Net decrease / (increase) in fixed assets	0.3	(0.1)
Net excess of contributions over pension service costs	(0.1)	(0.1)
Total cash received	(13.5)	(14.4)
	=====	=====
Civil List reserve	2010	2010
	£m	£m
Balance brought forward	15.2	21.0
Interest received	0.1	0.7
Draw-down	(5.6)	(6.5)
Balance carried forward	9.7	15.2
	=====	=====

The reserve is invested in money market deposits.

The Civil List remains at £7.9 million in 2011 and the draw-down for 2011 is therefore expected to be £5.8 million for revenue and capital expenditure.

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 combined accounts direction given by the Treasury as set out in Appendix B (pages 134 to 136) and have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The accounts have been prepared on an accruals basis.

b) Recharges

All recharges are accounted for on a receivable basis.

c) Leases

Operating lease rentals are charged to the Income and Expenditure Account on a straight-line basis over the period of the lease.

d) Fixed assets and depreciation

Expenditure of £2,000 or more to acquire or improve assets which should last for at least a year is capitalised as fixed assets. Depreciation is charged on a straight-line basis at the following rates:

• Information systems hardware	3 years
• Information systems software	3 to 5 years
• Furnishings	10 to 20 years
• Other equipment	3 to 10 years
• Horses	12 years
• Liveries	7 to 20 years

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

e) Stock

Stock is held at the lower of cost and net realisable value.

f) Pensions

The Civil List participates in two pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Civil List. Contributions to the schemes are charged to the Income and Expenditure Account 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, managed by the Government, is not a funded scheme. As permitted by FRS 17: Retirement Benefits, this

scheme is treated as a defined contribution scheme by the Civil List and the full cost of contributions made in the year is reflected in the Income and Expenditure Account.

However, FRS 17: Retirement Benefits is applicable to the second scheme, the Royal Households Group Pension Scheme, and accordingly the Income and Expenditure Account includes the cost of benefits accruing during the year in respect of current service, the expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time. The actuarial gain/(loss) recognised in the pension scheme for the year is shown within the statement of total recognised gains and losses and the balance sheet includes the liability in the pension scheme, taking the assets at their year-end bid-values and liabilities at their actuarially calculated values discounted using the annualised yield on the iBoxx over 15-year AA rated corporate bond index at the year end.

The Civil List also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Civil List in an independently administered fund. The amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the year.

Further details of the pension schemes are provided in Appendix A of the Royal Public Finances Annual Report (pages 121 - 133).

g) Reserves

The reserves represent funds drawn down from the Royal Household Investment Committee to fund the acquisition of fixed assets and stock and which have not been included in the Income and Expenditure Account. Following the implementation of FRS 17: Retirement Benefits the deficit on the Royal Households Group Pension Scheme is included in the reserves.

2. SEGMENTAL ANALYSIS

	Salaries		Other costs		Total	
	2010	2009	2010	2009	2010	2009
	£m	£m	£m	£m	£m	£m
Catering and hospitality	1.6	1.6	1.2	1.2	2.8	2.8
Executive and administrative	3.9	3.9	1.2	1.5	5.1	5.4
Housekeeping and furnishings	3.1	3.1	0.5	0.6	3.7	3.7
Ceremonial functions	1.7	1.8	0.4	0.3	2.0	2.1
Other costs	(0.1)	(0.1)	0.2	0.3	0.1	0.2
Total	10.2	10.3	3.5	3.9	13.7	14.2

Salaries - Other costs relates to non cash pension costs.

3. STAFF NUMBERS AND COSTS

Staff Numbers

The average number of staff paid from the Civil List during the year to 31 December was as set out below.

	2010	2009
Lord Chamberlain	1	1
Private Secretary's Office	48	46
Privy Purse and Treasurer's Office	30	30
Master of the Household's Department	168	166
Lord Chamberlain's Office	56	57
	<u>303</u>	<u>300</u>

This figure is shown net of staff time recharged to other funding sources. Where staff work part-time they are recorded according to the proportion of their time devoted to, and paid by, the Civil List.

Payroll Costs

	2010	2009
	£m	£m
Salaries	8.0	8.0
Temporary staff	0.2	0.3
National insurance	0.7	0.7
Pension contributions	1.3	1.3
	<u>10.2</u>	<u>10.3</u>

The above payroll costs are stated net of housing abatements and charges (in respect of the provision of residential accommodation), service charges and recharges to related organisations and third parties (in respect of management, facilities and support provided by Civil List staff).

4. PENSION ARRANGEMENTS

Details of the pension schemes operating for employees of the Royal Household are provided in Appendix A of the Royal Public Finances Annual Report on pages 121 - 133.

5. TOTAL NET EXPENDITURE

Total net expenditure is stated after charging/(crediting):

	2010	2009
	£m	£m
Depreciation	0.4	0.5
Rentals under operating leases	0.1	0.1
Service charges and recharges	(3.1)	(3.3)

The remuneration of the Civil List Auditor was £nil in 2010 (2009: £nil). There were no additional fees paid to the Civil List Auditor during 2010 or 2009.

6. FIXED ASSETS

	Information Systems	Furnishings & Equipment	Horses & Liveries	Assets in course of construction	Total
	£m	£m	£m	£m	£m
Cost					
At 1 January 2010	1.4	2.5	0.7	0.3	4.9
Additions	0.3	–	–	–	0.3
Disposals	–	(0.2)	–	–	(0.2)
Transfers	–	0.3	–	(0.3)	–
At 31 December 2010	1.7	2.6	0.7	–	5.0
Depreciation					
At 1 January 2010	1.0	1.1	0.3	–	2.4
Charge for the year	0.2	0.2	–	–	0.4
At 31 December 2010	1.2	1.3	0.3	–	2.8
Net book value					
At 31 December 2010	0.5	1.3	0.4	–	2.2
At 1 January 2010	0.4	1.4	0.4	0.3	2.5

7. STOCK

	2010	2009
	£m	£m
Wine and spirits	0.4	0.4
	0.4	0.4

Wine is held in stock to age.

8. DEBTORS

	2010	2009
	£m	£m
Recharges	1.0	0.5
Other debtors	0.2	0.4
Prepayments	0.4	0.1
	<u>1.6</u>	<u>1.0</u>

9. CREDITORS

	2010	2009
	£m	£m
Amounts falling due within one year:		
Amounts due to suppliers	0.4	0.3
PAYE, National Insurance and Pension contributions	0.9	0.9
Other creditors	0.3	–
Accruals	0.5	1.0
	<u>2.1</u>	<u>2.2</u>

Cash balances not required to fund debtors and creditors at 31 December are payable to the Royal Household Investment Committee, for inclusion in the Civil List reserve. The balance is included under Other creditors (Other debtors in 2009).

10. RESERVES

	Fixed asset reserve	Stock reserve	Pension scheme deficit	Total reserves
	£m	£m	£m	£m
As at 1 January 2010	2.5	0.4	(1.2)	1.7
Actuarial gain on Pension Scheme	–	–	0.2	0.2
Movement in year	(0.3)	–	0.1	(0.2)
As at 31 December 2010	<u>2.2</u>	<u>0.4</u>	<u>(0.9)</u>	<u>1.7</u>

11. COMMITMENTS

Operating lease commitments are as follows:

	2010	2009
	£m	£m
Expiry within 1 year	0.1	–
Expiring between 2 and 5 years	0.4	0.4
	<u>0.5</u>	<u>0.4</u>

12. RELATED PARTY TRANSACTIONS

Material transactions during the year with other entities controlled by officials or trustees on behalf of The Queen are set out below.

	2010 £m	2009 £m	2010 £m	2009 £m
	Balance due from:		Recoveries from:	
Royal Collection Trust	0.1	0.1	1.2	1.1
Property Services Grant-in-aid	–	–	0.6	0.5
Royal Travel Grant-in-aid	–	–	0.1	0.1
Privy Purse	–	–	0.3	0.3
Other Royal Households	0.2	0.1	0.5	0.5
	Balance due to:		Charged by:	
Privy Purse	–	0.1	0.1	0.1

The Royal Collection Trust, the Property Services and Royal Travel Grants-in-aid, the Privy Purse and other Royal Households are regarded as related parties. Material transactions with these related parties during the year are summarised above.

Recoveries are mainly management fees charged by the Civil List for various services including catering, cleaning and the provision of press office, internal audit, security liaison and information systems services.

Charges to the Civil List are in respect of the purchase of horses and summer grazing and the costs of cleaning and accommodation for official staff whilst at Balmoral and Sandringham.

None of the key staff employed by the Civil List has undertaken any material transaction with the Civil List during the year.

REPORT OF THE AUDITOR TO THE CHANCELLOR OF THE EXCHEQUER

I have audited the accounts on pages 44 to 54 under the Civil List Audit Act 1816. These accounts have been prepared under the historical cost convention and the accounting policies set out on pages 49 and 50.

Respective responsibilities of the Royal Household and the Auditor

The Royal Household is responsible for the preparation of the accounts for each financial year in the form and on the basis approved by the Treasury. The Royal Household is also responsible for ensuring the regularity of financial transactions. The Royal Household is also responsible for the preparation of the other contents of the Annual Report. My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Civil List Audit Act 1816 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Annual Report is not consistent with the accounts, if proper accounting records have not been kept or if I have not received all the information or explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited accounts. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounts.

I review the statement on internal controls on pages 35 to 38 and report if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounts.

Basis of opinion

I conducted the audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the accounts. It also includes an assessment of the significant estimates and judgements made by the Royal Household in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

I planned and performed the audit so as to obtain all the information and explanations which is considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In my opinion:

- I. the accounts give a true and fair view of the state of affairs at 31 December 2010 and of the net expenditure, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Civil List Audit Act 1816 and directions made thereunder by the Treasury; and
- II. in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Sir Nicholas Macpherson

Permanent Secretary to the Treasury and Civil List Auditor

Government Offices
1 Horse Guards Road
London
SW1A 2HQ

9 June 2011

APPENDIX 1: ADDITIONAL NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

The segmental analysis on page 50 sets out the staff costs for each of the categories below. In accordance with the accounts direction we set out below an analysis of the non-staff costs on a basis consistent with the Royal Trustees Report.

Catering and hospitality

	2010	2009
	£m	£m
Garden parties	0.8	0.7
Food and kitchens	0.4	0.5
	<u>1.2</u>	<u>1.2</u>

Executive and administrative

	2010	2009
	£m	£m
Recruitment and training	0.1	0.3
Depreciation (net of recharges)	0.4	0.4
Stationery, printing and binding	0.2	0.3
Computers and information systems	0.2	0.2
Legal advice and other professional services	0.2	0.2
Travel	0.1	0.1
	<u>1.2</u>	<u>1.5</u>

Housekeeping and furnishings

	2010	2009
	£m	£m
Housekeeping	0.3	0.3
Furnishings and equipment	0.2	0.3
	<u>0.5</u>	<u>0.6</u>

Ceremonial functions

	2010	2009
	£m	£m
Carriage processions	0.2	0.1
Uniforms and protective clothing	0.1	0.1
Motor vehicles	0.1	0.1
	<u>0.4</u>	<u>0.3</u>

APPENDIX 2: FIVE YEAR INFORMATION

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31 December</i>	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m
Civil List funding received:					
Annual Civil List	7.9	7.9	7.9	7.9	7.9
Draw-down from reserve	5.6	6.5	6.4	4.9	4.1
	<u>13.5</u>	<u>14.4</u>	<u>14.3</u>	<u>12.8</u>	<u>12.0</u>
	=====	=====	=====	=====	=====
Salaries	10.2	10.3	9.9	9.1	8.8
Other expenditure					
Catering and hospitality	1.2	1.2	1.1	1.2	1.1
Executive and administrative	1.2	1.5	1.5	1.2	1.0
Housekeeping and furnishings	0.5	0.6	0.7	0.6	0.5
Ceremonial functions	0.4	0.3	0.4	0.2	0.3
Other costs	0.2	0.3	0.3	0.4	0.5
Total net expenditure	<u>13.7</u>	<u>14.2</u>	<u>13.9</u>	<u>12.7</u>	<u>12.2</u>
Net (deficit) / surplus taken (from) / to reserves	<u>(0.2)</u>	<u>0.2</u>	<u>0.4</u>	<u>0.1</u>	<u>(0.2)</u>
	=====	=====	=====	=====	=====

PERFORMANCE INDICATORS AND OPERATING RATIOS

	2010	2009	2008	2007	2006
(Decrease) / increase in net Civil List expenditure	(3.5%)	2.2%	9.4%	4.1%	8.0%
Suppliers paid within:					
30 days	82%	80%	71%	79%	81%
40 days	90%	88%	83%	87%	89%
50 days	93%	91%	89%	92%	92%
Staff Numbers	303	300	298	296	284

**The Grant-in-aid for the
Maintenance of the Occupied Royal Palaces in
England and
Royal Communications and Information**

Annual Report 2010-11

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MAINTENANCE OF THE OCCUPIED ROYAL PALACES (“PROPERTY SERVICES”)

PERFORMANCE INDICATORS AND OPERATING RATIOS

The performance indicators and operating ratios are intended to provide a concise assessment of the way in which the Royal Household manages the Grant-in-aid in the key areas where performance can be quantified. Where percentages in the following table are preceded by – they are quantifying a decrease in the expenditure or consumption compared with the previous year.

<i>Year to 31 March</i>	2011 <i>Target</i>	2011 Actual	2010 Actual
	%	%	%
Funding			
Movement in voted revenue Grant-in-aid receivable in:			
• absolute terms	–	-3.0	–
• real terms	–	-5.1	-4.8
Property Maintenance			
Fees and other indirect costs as a percentage of construction costs	19.2	20.1	17.0
Projects with a construction cost of £25,000 or more completed with a cost overrun of no more than:			
• 5% of the let tender amount	75	87	77
• the greater of £20,000 and 10% of the let tender amount	100	97	98
Percentage of fixed-price contracts with a construction cost of £25,000 or more let without competitive tendering	–	–	–
Telephones			
Movement in costs in real terms	–	-10.5	-18.4
Energy Consumption			
Electricity	–	-12.6	14.0
Gas	–	12.2	-3.8
Water	–	11.2	-3.3
Supplier Payments			
Percentage paid within:			
• 30 days	85	84	83
• 40 days	95	90	92
• 50 days of receipt of invoice	97	93	95
Average Weekly Number of AFD Activations	8	7	8
Staff Numbers	109	106	111

Of the fifteen performance indicators seven had not been met or bettered during the year to 31 March 2011 (2009-10: six).

One project to repair the Quadrangle East Wing at Buckingham Palace exceeded the 'greater of £20,000 and 10%' of the let tender amount' variance. The quantity of stone to be replaced was based on a trial bay, where the paint finish was removed and work scheduled as a representative sample. Following removal of paint in the main contract, twice the amount of stone was replaced than had been anticipated including the complete replacement of the dentil cornice.

Fees and other indirect costs as a percentage of construction costs are higher than target for the year. This is mainly due to asbestos survey investigations at Buckingham Palace and fees incurred on monitoring the Victoria & Albert Mausoleum at Frogmore.

The three 'Supplier Payment Days' targets have not been met but did improve in the 'within 30 days' category.

The 'movement in gas consumption' was not met due to higher than expected consumption of gas at both Buckingham Palace and Windsor Castle as a result of the cold weather in November and December.

The 'movement in water consumption' had not been met for the year due to higher consumption at Buckingham Palace in the year.

Adjustments to restate expenditure in real terms have been made using the inflation indices given on page 84. Explanations of the performance indicators, where required, are given below.

Fees and other indirect costs as a percentage of construction costs

This indicator measures the success in spending as large a proportion as feasible of the funding available for property maintenance on actual maintenance and building work and as small a proportion as feasible on related administration and fees. It is understood that the fees and other indirect costs proportion for work on listed buildings would normally be expected to be in the range of 15% to 20%. Reducing expenditure on fees may, of course, be a false economy if insufficient pre-planning and input from architects and other members of the design team means that building costs increase and/or that the quality of the work is compromised. Comparisons with industry standard rates per square metre are used wherever possible to check that fees have not been reduced at the expense of increased cost in other areas. In addition, independent checks are undertaken to ensure that work undertaken is up to the high standard required. The achievement of this target will become increasingly difficult as the amount of funds available for property maintenance continues to decline in real terms each year.

Percentage of projects with a construction cost of £25,000 or more (excluding VAT) completed with a cost overrun of no more than (a) 5% of the let tender amount, and (b) the greater of £20,000 and 10% of the let tender amount

Building projects in relation to historic buildings and conservation are particularly difficult to manage and costs can frequently exceed budget. By completing 75% of projects with an overrun of no more than 5% of the let tender amount and 100% of projects with an overrun of no more than the greater of £20,000 and 10% of the let tender amount, the Property Section sets demanding targets. It is also the Household's policy not to include undefined provisional sums and general contingencies in let tender amounts, which would otherwise distort the application of this performance indicator.

Average weekly number of AFD activations

This performance indicator monitors how effectively the automatic fire detection (AFD) system is managed. The average number of activations in 2010-11 for the Estate was 7 per week, compared with the benchmark of 12 per week calculated in accordance with the guidance set out in the British Standard for systems of comparable size.

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31 March</i>		2011	2010
	Note	£m	£m
Amount of Revenue Grant-in-aid voted by Parliament		<u>14.6</u>	<u>15.0</u>
Grant-in-aid drawn down		<u>14.6</u>	<u>15.0</u>
Property Maintenance			
Projects and general maintenance	2	7.8	9.9
Less: Income from facilities management charges		(3.2)	(2.3)
Supervision		<u>1.4</u>	<u>1.4</u>
		<u>6.0</u>	<u>9.0</u>
Utilities		2.2	2.3
Fire, health and safety services		1.2	1.2
Non-domestic rates		0.9	0.9
Court Post Office		0.6	0.6
Gardens		0.8	0.7
Furniture and equipment		0.6	0.7
Central administration		0.5	0.5
Pensions finance charge		–	0.2
Information systems		0.2	0.3
Rent and other recoveries		(1.3)	(1.3)
Maintenance of commercial properties		<u>0.2</u>	<u>0.3</u>
Total net expenditure	2, 5	<u>11.9</u>	<u>15.4</u>
Net funding for /(from) fixed assets and working capital	11	<u>2.7</u>	<u>(0.4)</u>

Total net expenditure in 2010-11 includes approximately £1.3 million in respect of VAT (2009-10: £1.2 million).

The accounting policies are summarised on pages 69 to 72. The Income and Expenditure Account should also be read in conjunction with the Statement of Total Recognised Gains and Losses, the Balance Sheet and the Cash Flow Statement on pages 66, 67 and 68 respectively.

The results shown above relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31 March</i>	2011	2010
	Note	£m
Net funding for / (from) fixed assets and working capital	2.7	(0.4)
Actuarial gain for the year	4	0.6
Total recognised gains relating to the year	<u>3.2</u>	<u>0.2</u>
	<u><u>3.2</u></u>	<u><u>0.2</u></u>

BALANCE SHEET

<i>As at 31 March</i>		2011 £m	2010 £m
	Note		
Fixed assets	6,7	11.2	11.5
Current assets			
Stock	8	–	0.1
Debtors	9	3.5	1.5
Cash at bank and in hand		0.1	–
		3.6	1.6
Creditors: amounts falling due within one year	10	(2.4)	(4.1)
Net current assets / (liabilities)		1.2	(2.5)
Total assets less current liabilities excluding pension scheme liability		12.4	9.0
Pension scheme liability	4	(1.1)	(1.8)
Net assets		11.3	7.2
		11.3	7.2
Funds contributed by or (required from) the Department for Culture, Media and Sport			
Fixed asset reserve		11.2	11.5
Pension scheme deficit	4	(1.1)	(1.8)
Net current assets / (liabilities)		1.2	(2.5)
	11	11.3	7.2
		11.3	7.2

Sir Alan Reid

Keeper of the Privy Purse

9 June 2011

CASH FLOW STATEMENT

<i>Year to 31 March</i>	2011	2011	2010	2010
	£m	£m	£m	£m
Reconciliation of total net expenditure to Grant-in-aid				
Total net expenditure		(11.9)		(15.4)
Depreciation charges	0.6		0.6	
Decrease / (increase) in stock	0.1		(0.1)	
(Increase) /decrease in debtors	(2.0)		0.6	
Decrease in creditors	(0.8)		(0.2)	
Excess of pension scheme contributions over service cost	(0.2)		–	
		(2.3)		0.9
Net cash outflow from activities		(14.2)		(14.5)
Capital expenditure – fixed assets acquired		(0.6)		(0.8)
Net cash outflow before financing		(14.8)		(15.3)
Grant-in-aid drawn down		14.6		15.0
Amounts vired from Grant-in-aid for the Maintenance of Marlborough House		1.2		–
Increase / (decrease) in cash		1.0		(0.3)
Reconciliation of cash balances				
		2011		2010
		£m		£m
Cash at bank as at start of year		(0.9)		(0.6)
Net increase / (decrease) in cash		1.0		(0.3)
Cash at bank as at 31 March		0.1		(0.9)

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 combined accounts direction given by the Treasury as set out in Appendix B (pages 134 to 136) and have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

b) Income

Grant-in-aid from the Department for Culture, Media and Sport is taken to the Income and Expenditure Account in the year it is received.

All other income is accounted for on a receivable basis.

c) Income from facilities management charges

Amounts due from the Royal Collection Trust to the Grant-in-aid in respect of services provided in connection with admitting the public to Windsor Castle and Buckingham Palace are recognised on a receivable basis.

d) Pensions

The Household participates in two pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Grant-in-aid. Contributions to the schemes are charged to the Income and Expenditure Account to reflect the cost of benefits accruing to members so as to spread pension costs over employees' working lives with the Household. One of these pension schemes, managed by the Government, is not a funded scheme. As permitted by FRS 17: Retirement Benefits, this scheme is treated as a defined contribution scheme by the Grant-in-aid and the full cost of contributions made in the year is reflected in the Income and Expenditure Account.

However, FRS 17: Retirement Benefits is applicable to the second scheme, the Royal Households Group Pension Scheme, and accordingly the Income and Expenditure Account includes the cost of benefits accruing during the year in respect of current service, the expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time, the actuarial gain / (loss) recognised in the pension scheme for the year (shown within the statement of total recognised gains and losses) and the balance sheet includes the deficit in the pension scheme taking the assets at their year-end bid-values and liabilities at their actuarially calculated values discounted using the annualised yield on the iBoxx over 15-year AA rated corporate bond index at the year end.

The Household also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Grant-in-aid in an independently administered fund. The amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the year.

Further details of the pension schemes are provided in Appendix A of the Royal Public Finances Annual report (pages 121 - 133).

e) Leases

Operating lease rentals are charged to the Income and Expenditure Account on a straight-line basis over the period of the lease.

f) Fixed assets and depreciation

Heritage Assets

- Land and Buildings

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

- Expenditure on Major Restoration

The cost of associated major repairs is reported in the Income and Expenditure Account 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 Fixed Assets, held at historical cost and depreciated over either 10 or 30 years.

Further information is given in Note 6 to the accounts.

Other Assets

The Treasury requires that certain fixed assets should be revalued on a modified historical cost basis. In view of the nature of the fixed assets, it is not considered appropriate to use this basis and historical cost has been applied.

Net expenditure over £5,000 on improvements to the Estate is capitalised, except where the improvements are incidental to general repair and refurbishment work; costs capitalised include related fees and VAT.

Depreciation

Fixed assets are depreciated on a straight-line basis at the following rates:

- Automatic fire detection (AFD) 10 years
- Fire compartmentation 30 years
- General building improvements 10 or 30 years
- Refurbishments (commercial lettings only) 7 years
- Lifts* 20 years
- Water mains 30 years
- Information technology equipment 3 years
- Small Plant & Tools* 4 years
- Electrical Plant* 10 years
- Telephone switches (grouped with IT equipment) 5 years

* All grouped under the heading of “Plant & Lifts” in the table on page 76.

All assets are subject to a half-year’s depreciation charge in the year of acquisition, with the exception of plant, information technology and telephone equipment, for which depreciation commences in the month following purchase.

Depreciation on fixed assets reinstated in 2000-01 (as set out in note 1(i)) has been charged directly to the reserve which was established at that time.

g) Stock

Stock is held at the lower of cost and net realisable value.

h) Bank overdraft

The Grant-in-aid did not have an overdraft with, or any borrowings from, its banker. In previous years, a bank overdraft was disclosed due to a notional allocation of cash between the three separate Grant-in-aid allocations (Maintenance of the Occupied Royal Palaces in England, Royal Communications and Information, and Maintenance of Marlborough House). The prior year and current year figures have been restated to reflect the fact that the funds were vired from the Grant-in-aid allocation for the Maintenance of Marlborough House to the Grant-in-aid for the Maintenance of the Occupied Royal Palaces thereby eliminating the notional allocation.

i) Reserves

A fixed asset reserve was established in 2000-01 when, as a result of applying the accruals basis in accordance with the requirements of Government Resource Accounting, the past cost of fixed assets written off in the year of expenditure was reinstated on the balance sheet. The net annual movement is the difference between fixed assets acquired and depreciation.

The pension scheme deficit reserve represents the amount of the pension scheme deficit at the year end. This will need to be settled from future Grant-in-aid funding over time.

Amount required to meet net current liabilities represents the net liability at the year end payable to third party creditors, net of amounts receivable. This will be settled from future Grant-in-aid funding.

2. SEGMENTAL ANALYSIS

<i>Year to 31 March</i>	Total costs		Maintenance projects > £3,500	
	2011	2010	2011	2010
	£m	£m	£m	£m
Buckingham Palace	7.2	9.3	2.9	3.9
Buckingham Palace Mews and Gardens	1.3	1.4	0.2	0.9
St James's Palace	1.0	1.3	0.1	0.5
Clarence House and Marlborough House Mews	0.4	0.3	0.1	–
Kensington Palace	(0.2)	(0.2)	0.1	0.1
Hampton Court Mews and Paddocks	–	0.2	0.1	0.1
Windsor Castle	3.5	3.3	0.5	0.3
Windsor Castle Royal Mews	0.1	0.2	0.1	0.1
Windsor Home and Great Parks	1.1	1.1	0.4	0.6
Central costs	0.7	0.8	–	–
	<u>15.1</u>	<u>17.7</u>	<u>4.5</u>	<u>6.5</u>
Income from facilities management charge	(3.2)	(2.3)	–	–
	<u>11.9</u>	<u>15.4</u>	<u>4.5</u>	<u>6.5</u>

Maintenance projects expenditure with a cost of £3,500 or more, analysed by category of expenditure

<i>Year to 31 March</i>	2011	2010
	£m	£m
Energy conservation	0.5	0.1
Fire precautions	0.2	0.4
Health and safety	1.5	2.6
Housing	0.1	0.4
Offices and workshops	0.2	0.2
General maintenance	2.0	2.8
	<u>4.5</u>	<u>6.5</u>

Because of the nature of other expenditure, it is not feasible to split total costs between these types of expenditure, so this information is not supplied.

The cost of maintenance projects with a cost of £3,500 or more reconciles with the total maintenance costs as follows:

<i>Year to 31 March</i>	2011	2010
	£m	£m
Maintenance projects with a cost of £3,500 or more:		
• Construction	4.3	6.2
• Fees	0.2	0.3
	<u>4.5</u>	<u>6.5</u>
Less: transfers to fixed assets	(0.5)	(0.7)
Add: depreciation	0.5	0.4
	<u>4.5</u>	<u>6.2</u>
General maintenance	3.3	3.7
Total projects and general maintenance	<u>7.8</u>	<u>9.9</u>

3. STAFF NUMBERS AND COSTS

Staff Numbers

The average number of staff paid from the Grant-in-aid during the year to 31 March was as set out below.

	2011	2010
Administration, Finance and Telephone Operators	18	18
Property Maintenance Central Unit	2	3
Buckingham Palace, Kensington Palace, and St James's Palace Maintenance Office	34	35
Hampton Court and Windsor Castle Maintenance Office	15	18
Fire, Health and Safety Services	23	23
Craftsmen	14	14
	<u>106</u>	<u>111</u>

Where staff work part-time or have part of their salary charged to the Civil List or the Royal Travel Grant-in-aid, they are recorded according to the proportion of their time devoted to, and paid for by, the Property Services Grant-in-aid.

Payroll Costs

<i>Year to 31 March</i>	2011	2010
	£m	£m
Salaries	3.3	3.3
Less: housing abatements and charges	(0.2)	(0.2)
Overtime	0.2	0.2
National Insurance	0.3	0.3
Pension contributions	0.8	0.8
	4.4	4.4

Housing abatements and charges are deductions from salaries in respect of the provision of residential accommodation. The above costs reflect the salaries of employees who are charged directly to Property Services. Where activities are undertaken that relate to external parties or other funding sources then a recharge is raised to recover the costs. Of the above costs £0.3 million (2009-10: £0.3 million) was recharged to external and other funding sources.

Payroll costs are included under the following headings within the Income and Expenditure Account.

<i>Year to 31 March</i>	2011	2010
	£m	£m
Projects and general maintenance	0.5	0.5
Supervision	1.2	1.2
Utilities	0.3	0.3
Fire, health and safety services	1.0	0.9
Gardens	0.4	0.5
Furniture and equipment	0.5	0.5
Central administration	0.5	0.5
	4.4	4.4

4. PENSION ARRANGEMENTS

Details of the pension schemes operating for employees of the Royal Household are provided in Appendix A of the Royal Public Finances Annual Report on pages 121 to 133.

5. TOTAL NET EXPENDITURE

Total net expenditure is stated after (crediting)/charging:

<i>Year to 31 March</i>	2011	2010
	£m	£m
Depreciation	0.6	0.6

The Auditors' remuneration for the audit was £51,000 (2009-10: £51,000). There were no additional fees paid to the Auditors during 2010-11 (2009-10: nil).

6. HERITAGE ASSETS NOT RECOGNISED IN THE BALANCE SHEET

The Grant-in-aid for the Maintenance of the Occupied Palaces in England is used to maintain the following properties for the benefit of future generations:

- Buckingham Palace;
- St James's Palace, Clarence House and Marlborough House Mews;
- The residential and office areas of Kensington Palace;
- The Royal Mews and Royal Paddocks at Hampton Court; and
- Windsor Castle and buildings in the Home and Great Parks at Windsor.

The land and buildings are held by The Queen in trust for the nation and cannot be sold without the authority of the Department for Culture, Media and Sport.

During the past 5 years there have been no acquisitions of heritage assets and the only disposal was the sale of land at the Royal Garden Hotel, Kensington in 2005-06. Proceeds of £2.5 million were generated by the Royal Household and paid over to the Department for Culture, Media and Sport in accordance with the terms of the Memorandum of Understanding. However, it was agreed that £2 million of the proceeds would be provided by means of capital funding to Property Services.

The Property Services Grant-in-aid aims to maintain the Estate in as good a state of repair as is possible within the constraints of available funding. A web based system is used to record actual condition against target condition for these assets and this is used to determine the backlog in essential maintenance across the Estate. The ongoing cost of maintenance and upkeep is reported in the Income and Expenditure Account 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 Fixed Assets, held at historical cost and depreciated over either 10 or 30 years.

The Occupied Royal Palaces are 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.

7. FIXED ASSETS

Asset category	AFD	Fire comp	Buildings	Refurb	P&M	Water mains	AIC	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost								
At 1 April 2010	1.3	6.7	8.7	1.1	2.3	0.2	–	20.3
Additions	–	–	0.1	–	0.5	–	–	0.6
At 31 March 2011	1.3	6.7	8.8	1.1	2.8	0.2	–	20.9
Depreciation								
At 1 April 2010	1.1	2.8	2.3	1.0	1.5	0.1	–	8.8
Charge for the year	–	0.3	0.4	0.1	0.1	–	–	0.9
At 31 March 2011	1.1	3.1	2.7	1.1	1.6	0.1	–	9.7
Net book value								
At 31 March 2011	0.2	3.6	6.1	–	1.2	0.1	–	11.2
At 1 April 2010	0.2	3.9	6.4	0.1	0.8	0.1	–	11.5

Explanation of abbreviations used above

“Fire comp” refers to fire compartmentation. “Buildings” refers to various projects in which building improvement has occurred, and “Refurb” refers to the betterment element for properties which are to be let commercially. “P&M” refers to tools, items of small or electrical plant, lifts and information technology equipment. “AIC” refers to assets in the course of construction. These assets will be transferred to the correct category and depreciated from the date of completion.

Of the fixed asset depreciation of £0.9 million, £0.6 million has been charged to the Income and Expenditure Account and £0.3 million to the Fixed Asset Reserve.

8. STOCK

<i>As at 31 March</i>	2011	2010
	£m	£m
Plants for display and re-sale	–	0.1
	–	0.1

9. DEBTORS

<i>As at 31 March</i>	2011 £m	2010 £m
Recharges	0.3	0.2
Amounts owed by related parties (see note 13)	3.2	1.3
	<u>3.5</u>	<u>1.5</u>

10. CREDITORS

<i>As at 31 March</i>	2011 £m	2010 £m
Amounts falling due within one year:		
Bank overdraft	–	0.9
Suppliers and accruals	2.3	3.1
Other creditors including taxation	0.1	0.1
	<u>2.4</u>	<u>4.1</u>

11. RESERVES

Funds contributed by or (required from) the Department for Culture, Media and Sport	Fixed asset reserve £m	For net current liabilities £m	Pension scheme deficit £m	Total £m
As at 1 April 2010	11.5	(2.5)	(1.8)	7.2
Actuarial gain on Group Pension Scheme	–	–	0.5	0.5
Depreciation charged directly to fixed asset reserve	(0.3)	–	–	(0.3)
Funds vired from Grant-in-aid for the Maintenance of Marlborough House	–	1.2	–	1.2
Net funding for working capital	–	2.5	0.2	2.7
As at 31 March 2011	<u>11.2</u>	<u>1.2</u>	<u>(1.1)</u>	<u>11.3</u>

12. COMMITMENTS

<i>As at 31 March</i>	2011 £m	2010 £m
Contractual commitments:		
• Contracted	1.0	2.3
• Authorised but not contracted	2.4	2.1

13. RELATED PARTY TRANSACTIONS

Material transactions during the year with other entities controlled by officials or trustees on behalf of The Queen are set out below.

	2011	2010	2011	2010
	£m	£m	£m	£m
	Balance due from:		Recoveries from:	
Civil List	–	–	0.1	0.1
Royal Collection Trust and Royal Collection Enterprises	3.2	1.2	3.8	4.2
Privy Purse	–	–	0.2	0.2
Other Royal Households	–	0.1	0.3	0.3
	Balance due to:		Charged by:	
Civil List	0.1	–	0.7	0.5
Privy Purse	–	–	–	–

The Civil List, the Royal Collection Trust, Royal Collection Enterprises, the Privy Purse and other Royal Households are regarded as related parties. Material transactions with these related parties during the year are summarised above.

Recoveries from the Civil List relate to work undertaken by craftsmen employed by the Grant-in-aid. Recoveries made from the Royal Collection include the Windsor Castle and Buckingham Palace facilities management charges, 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 Farm Shop and staff costs for project management services. Recoveries from other Royal Households mainly relate to property maintenance.

Charges to the Grant-in-aid from the Civil List relate to management fees for various services provided by Civil List staff including, accounting, payroll, internal audit, personnel, catering, cleaning and IT services. Charges from the Privy Purse relate to insurance.

None of the management group or other related parties, except as referred to above, has undertaken any material transactions with the Grant-in-aid during the year.

14. CONTINGENT LIABILITIES

The Grant-in-aid had no contingent liabilities at the year end (2009-10: nil).

FIVE YEAR INFORMATION

INCOME AND EXPENDITURE ACCOUNT

Year to 31 March	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Revenue Grant-in-aid voted by Parliament	14.6	15.0	15.0	15.0	15.0
Capital Grant-in-aid drawn down	–	–	1.1	0.7	0.2
Grant-in-aid drawn down	14.6	15.0	16.1	15.7	15.2
Property Maintenance					
Projects with a cost of £3,500 or more:					
• construction	4.3	6.2	5.7	5.3	5.4
• fees	0.2	0.3	0.4	0.4	0.3
	4.5	6.5	6.1	5.7	5.7
Less: transfers to fixed assets	(0.5)	(0.7)	(0.5)	(0.6)	(0.4)
Add: depreciation	0.5	0.4	0.3	0.2	0.1
General maintenance	3.3	3.7	3.9	3.7	3.3
Less: Income from facilities management charges	(3.2)	(2.3)	(2.0)	(1.8)	(1.8)
Supervision	1.4	1.4	1.5	1.4	1.3
	6.0	9.0	9.3	8.6	8.2
Utilities	2.2	2.3	2.3	2.2	2.4
Fire, health and safety services	1.2	1.2	1.3	1.3	1.3
Non-domestic rates	0.9	0.9	0.9	0.8	0.7
Court Post Office	0.6	0.6	0.6	0.6	0.7
Gardens	0.8	0.7	0.7	0.9	0.7
Furniture and equipment	0.6	0.7	0.6	0.6	0.6
Central administration	0.5	0.5	0.4	0.3	0.5
Pensions finance charge	–	0.2	–	–	–
Information systems	0.2	0.3	0.4	0.3	0.2
Rent and other recoveries	(1.3)	(1.3)	(1.2)	(1.0)	(1.1)
Maintenance of commercial properties	0.2	0.3	0.2	0.7	0.3
Total net expenditure	11.9	15.4	15.5	15.3	14.5
Net funding for /(from) fixed assets and working capital	2.7	(0.4)	0.6	0.4	0.7

PROPERTY MAINTENANCE

Maintenance projects expenditure analysed by category of expenditure

<i>Year to 31 March</i>	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Energy conservation	0.5	0.1	0.3	0.3	0.3
Fire precautions	0.2	0.4	0.3	0.2	0.1
Health and safety	1.5	2.6	1.1	0.7	0.7
Housing	0.1	0.4	1.0	0.7	0.6
Offices and workshops	0.2	0.2	0.4	0.3	0.4
General maintenance	2.0	2.8	3.0	3.5	3.6
	4.5	6.5	6.1	5.7	5.7

The classification of expenditure into the categories shown above is on an approximate basis, with each project generally allocated to one category, rather than analysed between a number of categories, according to the main purpose of the work.

Maintenance projects expenditure analysed by location

<i>Year to 31 March</i>	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Buckingham Palace	2.9	3.9	2.2	1.7	2.5
Buckingham Palace Mews and Gardens	0.2	0.9	0.8	0.4	0.3
St James's Palace	0.1	0.5	0.7	0.5	0.5
Clarence House and Marlborough House Mews	0.1	–	0.2	0.5	0.1
Kensington Palace	0.1	0.1	0.3	0.3	0.1
Hampton Court Mews and Paddocks	0.1	0.1	0.2	0.1	0.1
Windsor Castle	0.5	0.3	0.8	1.7	1.4
Windsor Castle Royal Mews	0.1	0.1	0.4	0.4	0.3
Windsor Home and Great Parks	0.4	0.6	0.5	0.1	0.4
	4.5	6.5	6.1	5.7	5.7

ANALYSIS BY PALACE

<i>Year to 31 March</i>	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Buckingham Palace	7.2	9.3	8.0	5.9	6.4
Buckingham Palace Mews and Gardens	1.3	1.4	1.4	2.1	1.8
St James's Palace	1.0	1.3	1.7	1.5	1.5
Clarence House and Marlborough House Mews	0.4	0.3	0.5	0.8	0.3
Kensington Palace	(0.2)	(0.2)	–	0.7	(0.1)
Hampton Court Mews and Paddocks	–	0.2	0.3	0.3	0.3
Windsor Castle	3.5	3.3	3.3	3.7	3.6
Windsor Castle Royal Mews	0.1	0.2	0.4	0.7	0.5
Windsor Home and Great Parks	1.1	1.1	0.8	0.7	1.0
Central costs	0.7	0.8	1.1	0.7	1.0
	<u>15.1</u>	<u>17.7</u>	<u>17.5</u>	<u>17.1</u>	<u>16.3</u>
Less: Income from facilities management charges	(3.2)	(2.3)	(2.0)	(1.8)	(1.8)
	<u>11.9</u>	<u>15.4</u>	<u>15.5</u>	<u>15.3</u>	<u>14.5</u>

STAFF NUMBERS AND COSTS

Staff Numbers

<i>As at 31 March</i>	2011	2010	2009	2008	2007
Administration, Finance and Telephone Operators	18	18	16	13	12
Property Maintenance Central Unit	2	3	3	3	3
Buckingham Palace, Kensington Palace and St James's Palace Maintenance Office	34	35	36	36	31
Hampton Court and Windsor Castle Maintenance Office	15	18	18	17	18
Fire, Health and Safety Services	23	23	22	23	22
Craftsmen	14	14	14	13	15
	106	111	109	105	101

Payroll Costs

<i>Year to 31 March</i>	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Salaries	3.3	3.3	3.2	3.0	2.8
Less: housing abatements and charges	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Overtime	0.2	0.2	0.2	0.2	0.3
National insurance	0.3	0.3	0.3	0.3	0.3
Pension contributions	0.8	0.8	0.8	0.7	0.7
	4.4	4.4	4.3	4.0	3.9

PERFORMANCE INDICATORS AND OPERATING RATIOS

<i>Year to 31 March</i>	2011	2010	2009	2008	2007
	%	%	%	%	%
Funding					
Movement in voted revenue Grant-in-aid in:					
• absolute terms	-3.0	–	–	–	-1.0
• real terms	-5.1	-4.8	-2.2	-3.5	-4.6
Property Maintenance					
Fees and other indirect costs as a percentage of construction costs	20.1	17.0	18.2	17.0	16.2
Projects with a construction cost of £25,000 or more completed with a cost overrun of no more than:					
• 5% of the let tender amount	87	77	76	76	76
• the greater of £20,000 and 10% of the let tender amount	97	98	98	100	100
Percentage of fixed price contracts with construction cost of £25,000 or more let without competitive tendering	–	–	–	–	–
Telephones					
Movement in costs in real terms	-10.5	-18.4	-1.6	-21.0	-9.1
Energy Consumption					
Electricity consumption	-12.6	14.0	-1.6	-7.4	-3.5
Gas consumption	12.2	-3.8	3.3	-0.1	-6.2
Water consumption	11.2	-3.3	-3.1	26.7	-13.6
Supplier Payments					
Percentage paid within:					
• 30 days	84	83	77	93	88
• 40 days	90	92	87	97	96
• 50 days of receipt of invoice	93	95	91	98	97
	No.	No.	No.	No.	No.
Average Weekly no. of AFD activations	7	8	7	6	6
Staff Numbers	106	111	109	105	101

Adjustments have been made to restate expenditure in real terms using the inflation indices given on page 84.

INFLATION INDICES

		2010-11	2009-10	2008-09	2007-08	2006-07
		%	%	%	%	%
Inflation index						
Retail price	(a)	5.4	4.8	2.2	3.5	3.9
Tender price ¹	(b)	3.3	-10.0	-3.2	5.0	3.6
Building cost	(b)	4.0	1.7	4.0	4.6	5.8
Pay	(c)	1.5	3.7	5.2	5.2	4.4
Electricity	(d)	-5.2	22.4	50.0	-11.0	48.3
Gas	(d)	-4.2	15.4	55.0	-26.0	28.4
Water	(d)	2.1	4.5	5.7	5.7	4.5
Telephones	(d)	3.5	0.0	0.0	0.0	0.0

Sources

- (a) Consumer Prices and General Inflation Branch of the Office of National Statistics.
- (b) Building Cost Information Service of the Royal Institution of Chartered Surveyors, Quarterly Review of Building Prices.
- (c) Royal Household personnel database.
- (d) The indices are in-house estimates based on information from suppliers. This is applied because the consumer price index and bulk prices have very different inflation profiles.

When restating expenditure and income in real terms the pay index is applied to payroll costs, the telephones index to non-pay telephones expenditure and the retail price index to all other income and expenditure.

¹ Because an accurate figure for the year to 31 March is not available by the time the annual report is published, the figure is based on a forecast figure.

ROYAL COMMUNICATIONS AND INFORMATION

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31 March</i>	Note	2011 £m	2010 £m
Amount of Grant-in-aid voted by Parliament		<u>0.5</u>	<u>0.5</u>
Grant-in-aid drawn down		<u>0.5</u>	<u>0.5</u>
Royal Visits		<u>0.1</u>	<u>0.1</u>
General Communications			
Press Office salaries		0.3	0.2
Website		0.1	0.1
Other		–	–
		<u>0.4</u>	<u>0.3</u>
Total net expenditure	2	<u>0.5</u>	<u>0.4</u>
Net funding for working capital		<u>–</u>	<u>0.1</u>

BALANCE SHEET

<i>As at 31 March</i>	2011 £m	2010 £m
Current assets		
Cash at bank	–	–
Creditors: amounts falling due within one year		
Suppliers	–	–
	–	–
Net assets / (liabilities)	<u>–</u>	<u>–</u>
Funds (required from) or contributed by the Department for Culture, Media and Sport	<u>–</u>	<u>–</u>

CASHFLOW STATEMENT

	2011 £m	2010 £m
Reconciliation of total net expenditure to Grant-in-aid		
Total net expenditure	(0.5)	(0.4)
Decrease in creditors	–	(0.1)
Net cash outflow from activities and before financing	(0.5)	(0.5)
Grant-in-aid drawn down	0.5	0.5
Increase /(decrease) in cash	–	–

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 combined accounts direction given by the Treasury as set out in Appendix B (pages 134 to 136) and have been prepared in accordance with applicable accounting standards, the Government Financial Reporting Manual (FRM) and under the historical cost accounting rules.

b) Pensions costs

The Household operates the Royal Households Group Pension Scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Grant-in-aid. Contributions to the scheme are charged to the Income and Expenditure Account so as to spread the cost of pensions over employees' working lives with the Household. Employer's pension contributions are recognised in the Income and Expenditure Account on an accruals basis. Further details of the pension schemes are provided in Appendix A of the Royal Public Finance Annual report on pages 121 to 133.

2. TOTAL NET EXPENDITURE

The Auditors' remuneration for the audit was £2,000 (2009-10: £2,000). During 2009-10 and 2010-11 no other services were provided by the Auditors except for the audit.

3. RELATED PARTY TRANSACTIONS

	2011 £m	2010 £m	2011 £m	2010 £m
	Balance due to:		Charged by:	
Civil List	–	–	0.1	0.1
Other Royal Households	–	–	0.1	0.1

The Civil List and other Royal Households are regarded as related parties. Material transactions with these related parties during the year are summarised above.

Charges to the Grant-in-aid are mainly from the Civil List and relate to management fees charged for various services provided by Civil List staff including, accounting, payroll, internal audit, personnel, catering, cleaning and IT services.

Charges to the Grant-in-aid from other Royal Households relate to payments to The Prince of Wales's office to cover costs in respect of The Prince of Wales's royal function and engagements.

REPORT OF KPMG LLP TO THE LORD CHAMBERLAIN

We have audited the accounts of the Grant-in-aid for the maintenance of the Occupied Royal Palaces and Royal Communications (“the Grants-in-aid”) which comprise the income and expenditure accounts, the balance sheets, the cash flow statements, the statements of total recognised gains and losses and the related notes including the introductory paragraphs and section 2 of the Royal Public Finances Appendix A (the “accounts”). These accounts have been prepared using the accounting policies set out on pages 69 to 72 and 86 respectively.

Our report is designed to meet the agreed requirements of the Lord Chamberlain determined by the Lord Chamberlain at the time. Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Lord Chamberlain for any purpose or in any context. Any party other than the Lord Chamberlain who obtains our report or a copy and chooses to rely on our report (or any part of it) will do so at their own risk. To the fullest extent permitted by law KPMG LLP will accept no responsibility or liability in respect of our work to any other party.

Respective responsibilities of the Keeper of the Privy Purse and KPMG LLP

The Keeper of the Privy Purse is responsible for preparing the accounts for each financial year, which includes an account of the stewardship of the Grant-in-aid, in a form and content approved by the Department for Culture, Media and Sport. The Keeper of the Privy Purse is also responsible for ensuring the regularity of financial transactions and for the preparation of the other contents of the Annual Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the accounts give a true and fair view and have been properly prepared on the stated basis. We also report to you whether in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding. We also report to you whether in our opinion the information given in the Annual Report is consistent with the accounts. The information given in the Annual Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Annual Report.

In addition we report to you if, in our opinion, the Royal Household has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and financial regularity of financial transactions included within the accounts. It also includes an assessment of the significant estimates and judgements made by the Keeper of the Privy Purse in preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Grant-in-aid and are consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, where caused by fraud or other irregularity or error and that in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view of the state of affairs of the Grants-in-aid at 31 March 2011 and the results for the year then ended and have been properly prepared on the basis of the accounting policies set out therein;
- the accounts have been prepared in accordance with the requirements of the combined accounts direction, as notified to the Royal Household by the Treasury;
- the information in the Annual Report is consistent with the accounts; and
- in all material respects, the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding and the financial transactions conform to the authorities which govern them.

W Meredith

For and on behalf of **KPMG LLP**

Chartered Accountants

London

9 June 2011

**The Grant-in-aid for
Royal Travel by Air and Rail**

Annual Report 2010-11

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INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31 March</i>	Note	2011 £m	2010 £m
Grant-in-aid Voted by Parliament		7.0	7.3
		=====	=====
Grant-in-aid drawn down		6.1	5.0
		=====	=====
Air travel			
Helicopters		2.4	2.1
Fixed wing (civil operators)		2.2	1.6
Fixed wing (32 Squadron)		–	0.2
		4.6	3.9
		=====	=====
Rail travel		0.9	1.0
		=====	=====
Administration and other		0.5	0.5
		=====	=====
Exceptional Item – helicopter lease refund	6	–	(1.5)
		=====	=====
Total net expenditure	5	6.0	3.9
		=====	=====
Net funding for fixed assets and working capital	11	0.1	1.1
		=====	=====

The results shown above relate to continuing activities. Total net expenditure in 2010-11 includes £0.2 million in respect of VAT (2009-10: £0.2 million).

The accounting policies are summarised on pages 98 to 99. The Income and Expenditure Account should also be read in conjunction with the Statement of Total Recognised Gains and Losses, the Balance Sheet and Cash Flow Statement on pages 95, 96, and 97 respectively.

Grant-in-aid not drawn down and retained by the Department for Transport amounted to £0.9 million (2009-10: £2.3 million).

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31 March</i>	Note	2011	2010
		£m	£m
Net funding for fixed assets and working capital		0.1	1.1
Actuarial gain for the year	4	–	0.2
Total recognised gains relating to the year		<u>0.1</u>	<u>1.3</u>
		<u>0.1</u>	<u>1.3</u>

BALANCE SHEET

<i>As at 31 March</i>	Note	2011 £m	2010 £m
Fixed assets	8	–	–
Current assets			
Debtors	9	0.2	0.2
Cash at bank and in hand		0.8	0.6
		1.0	0.8
Creditors: amounts falling due within one year	10	(0.4)	(0.3)
Net current assets		0.6	0.5
Net assets excluding pension scheme asset		0.6	0.5
Pension scheme asset	4	0.3	0.2
Net assets		0.9	0.7
Funds contributed by the Department for Transport			
Fixed asset reserve		–	–
Pension scheme reserve	4	0.3	0.2
Net current assets		0.6	0.5
	11	0.9	0.7

Sir Alan Reid

Keeper of the Privy Purse

9 June 2011

CASH FLOW STATEMENT

<i>Year to 31 March</i>	2011	2010
	£m	£m
Reconciliation of total net expenditure to Grant-in-aid		
Total net expenditure	(6.0)	(3.9)
Increase in debtors	–	(0.1)
Increase /(decrease) in creditors	0.1	(0.6)
Excess of pension scheme contributions over service cost	–	(0.5)
Net cash outflow from activities and before financing	(5.9)	(5.1)
Grant-in-aid drawn down	6.1	5.0
Increase /(decrease) in cash	0.2	(0.1)
	=====	=====
Reconciliation of cash balances	2011	2010
	£m	£m
Cash at bank as at start of year	0.6	0.7
Net increase /(decrease) in cash	0.2	(0.1)
Cash at bank as at 31 March	0.8	0.6
	=====	=====

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 combined accounts direction given by the Treasury as set out in Appendix B (pages 134 to 136) and have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

b) Income

Grant-in-aid from the Department for Transport is taken to the Income and Expenditure Account in the year it is received.

All other income is accounted for on a receivable basis.

c) Pensions

The Household operates the Royal Households Group Pension Scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Grant-in-aid. Contributions to the scheme are charged to the Income and Expenditure Account to reflect the cost of benefits accruing to members so as to spread pension costs over employees' working lives with the Household.

FRS 17: Retirement Benefits is applicable to this scheme, and accordingly the Income and Expenditure Account includes the cost of benefits accruing during the year in respect of current service, the expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time, the actuarial gain / (loss) recognised in the pension scheme for the year (shown within the statement of total recognised gains and losses) and the balance sheet includes the deficit in the pension scheme, taking the assets at their year-end bid-values and liabilities at their actuarially calculated values discounted using the annualised yield on the iBoxx over 15 year AA rated corporate bond index at the year end.

The Household also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Grant-in-aid in an independently administered fund. The amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the year.

Further details of the pension schemes are provided in Appendix A of the Royal Public Finances Annual Report on pages 121 to 133.

d) Leases

Operating lease rentals are charged to the Income and Expenditure Account on a straight-line basis over the period of the lease.

e) Foreign currencies

Transactions denominated in foreign currencies are converted into sterling at the exchange rates on the date of the transaction. Debtors and creditors denominated in foreign currencies are translated at year end exchange rates, unless the terms of the transaction include contracted rates when those rates are used.

f) Fixed assets

Fixed assets costing over £2,000 are capitalised in the balance sheet. They are depreciated on a straight-line basis starting in the month following that of purchase, at the following rates:

- Information technology equipment Over 3 years
- Helicopter operation equipment Over 5 years

g) Reserves

A fixed asset reserve was set up when the Grant-in-aid was established, anticipating the requirements of Government Resource Accounting. The net annual movement is the difference between fixed assets acquired, disposals and depreciation.

The pension scheme reserve represents the amount of the pension scheme surplus / (deficit) at the year end. A deficit will need to be settled from future Grant-in-aid funding over time.

Net current assets / (liabilities) represents the amounts invested in net current assets or required to meet net current liabilities. Net current liabilities will be settled from future Grant-in-aid funding.

2. SEGMENTAL ANALYSIS

<i>Year to 31 March</i>	Fixed costs		Variable costs		Total costs	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Air travel						
Helicopters	1.6	1.4	0.8	0.7	2.4	2.1
Fixed wing (civil operators)	–	–	2.2	1.6	2.2	1.6
Fixed wing (32 Squadron)	–	–	–	0.2	–	0.2
	<u>1.6</u>	<u>1.4</u>	<u>3.0</u>	<u>2.5</u>	<u>4.6</u>	<u>3.9</u>
Rail travel						
Royal Train and other	0.6	0.6	0.3	0.4	0.9	1.0
Administration and other	0.5	0.5	–	–	0.5	0.5
Total net expenditure	<u>2.7</u>	<u>2.5</u>	<u>3.3</u>	<u>2.9</u>	<u>6.0</u>	<u>5.4</u>

3. STAFF NUMBERS AND COSTS

Staff Numbers

Staff paid from the Grant-in-aid are as set out below.

<i>As at 31 March</i>	2011	2010
Royal Travel Office	3	3
The Queen's Helicopter Flight	9	9
Administration and Finance	2	2
	<u>14</u>	<u>14</u>

Where staff work part-time or have part of their salary charged to the Civil List or to the Property Services Grant-in-aid (in each case according to time spent) they are recorded according to the proportion of their time paid for by the Royal Travel Grant-in-aid. Those who work for less than 10% of their time on royal travel matters are not included in the above table.

Payroll Costs

<i>Year to 31 March</i>	2011 £m	2010 £m
Salaries	0.7	0.7
National insurance	0.1	0.1
Pension contributions	0.2	0.2
	<u>1.0</u>	<u>1.0</u>

4. PENSION ARRANGEMENTS

Details of the pension schemes operating for employees of the Royal Household are provided in Appendix A of the Royal Public Finances Annual Report on pages 121 to 133.

5. TOTAL NET EXPENDITURE

Total net expenditure is stated after charging:

<i>Year to 31 March</i>	2011	2010
	£m	£m
Helicopter operating lease	0.5	0.3

The Auditors' remuneration for the audit was £19,000 (2009-10: £19,000). During 2010-11 and 2009-10 no additional fees were paid to the Auditors.

6. EXCEPTIONAL ITEM – HELICOPTER LEASE REFUND

On replacing The Queen's helicopter, the old helicopter which was leased from Bank of Scotland, was sold by the lessor to the Sikorsky Aircraft Corporation in October 2009. In accordance with the terms of the lease contract between Bank of Scotland and the Royal Household, this gave rise to a refund of lease rentals to the Royal Household amounting to £1.5 million which is shown as an exceptional item in the prior year.

7. RELATED PARTY TRANSACTIONS

Material transactions during the year with other entities controlled by officials on behalf of The Queen are set out below.

	2011	2010	2011	2010
	£m	£m	£m	£m
	Balance due to:		Charged by:	
The Civil List	–	–	0.1	0.1

The Civil List is regarded as a related party. Charges to Royal Travel are mainly management fees charged by the Civil List for various services including, accountancy, payroll, personnel, catering, cleaning and the provision of press office, internal audit and information systems services.

None of the key staff employed by Royal Travel has undertaken any material transaction with Royal Travel during the year.

8. FIXED ASSETS

	Helicopter operation equipment £m
Cost	
At 1 April 2010	0.1
Disposals	–
At 31 March 2011	<u>0.1</u>
Depreciation	
At 1 April 2010	0.1
Charge for the year	–
Disposals	–
At 31 March 2011	<u>0.1</u>
Net book value	
At 31 March 2011	<u>–</u>
At 1 April 2010	<u>–</u>

9. DEBTORS

<i>As at 31 March</i>	2011 £m	2010 £m
Recharges	<u>0.2</u>	<u>0.2</u>
	<u>0.2</u>	<u>0.2</u>

10. CREDITORS

<i>As at 31 March</i>	2011 £m	2010 £m
Amounts falling due within one year:		
Suppliers	<u>0.4</u>	<u>0.3</u>
	<u>0.4</u>	<u>0.3</u>

11. RESERVES

Funds contributed by the Department for Transport	Fixed asset reserve	Net current assets	Pension scheme reserve	Total
	£m	£m	£m	£m
As at 1 April 2010	–	0.5	0.2	0.7
Actuarial gain on Pension Scheme	–	–	0.1	0.1
Net funding for working capital	–	0.1	–	0.1
As at 31 March 2011	–	0.6	0.3	0.9

12. COMMITMENTS

At 31 March 2011 there were commitments in respect of the fixed costs of the Royal Train and the helicopter safety system amounting to £0.3 million, which will be paid from the Grant-in-aid during 2011-12 (£0.3 million at 31 March 2010).

In addition, annual commitments under the helicopter operating lease and associated contracts are as follows:

<i>As at 31 March</i>	2011 £m	2010 £m
Expiring in less than one year	0.3	0.3
Expiring in more than 5 years	0.5	0.5

13. CONTINGENT LIABILITIES

The Grant-in-aid had no contingent liabilities at the year end (2009-10: nil).

FIVE YEAR INFORMATION

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31 March</i>	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Grant-in-aid Voted by Parliament	7.0	7.3	7.4	6.4	6.0
Grant-in-aid drawn down	6.1	5.0	6.4	6.4	5.5
Air travel					
Helicopters – fixed costs	1.6	1.4	1.6	1.6	1.5
Helicopters – variable costs	0.8	0.7	0.7	0.6	0.7
Fixed wing (civil operators) – variable costs	2.2	1.6	2.6	2.2	1.9
Fixed wing (32 Squadron) – variable costs	–	0.2	0.4	0.4	0.4
	4.6	3.9	5.3	4.8	4.5
Sea travel	–	–	–	0.2	–
Rail travel					
Royal Train – fixed costs	0.6	0.6	0.5	0.4	0.4
Royal Train – variable costs	0.3	0.4	0.3	0.5	0.3
	0.9	1.0	0.8	0.9	0.7
Administration and other	0.5	0.5	0.4	0.3	0.4
Exceptional item – helicopter lease refund	–	(1.5)	–	–	–
Total net expenditure	6.0	3.9	6.5	6.2	5.6
Net funding for / (from) fixed assets and working capital	0.1	1.1	(0.1)	0.2	(0.1)

PERFORMANCE INDICATORS AND OPERATING RATIOS

<i>Year to 31 March</i>	2011	2010	2009	2008	2007
Funding					
Movement in total net expenditure before exceptional items in:	%	%	%	%	%
• absolute terms	+13.0	-15.5	+4.8	+10.7	+1.8
• real terms	+7.6	-19.5	+2.6	+7.2	-2.0
Mileage Cost					
Total cost per mile travelled:					
• by air	£17	£14	£13	£15	£12
• by rail	£50	£55	£53	£40	£54
Supplier Payments					
Invoices paid within:	%	%	%	%	%
• 30 days	83	83	79	90	93
• 40 days	94	93	90	98	97
• 50 days of receipt of invoice	96	96	93	99	99
Staff Numbers	14	14	13	13	13

REPORT OF KPMG LLP TO THE LORD CHAMBERLAIN

We have audited the accounts of the Grant-in-aid for Royal Travel by Air and Rail (“the Grant-in-aid”) which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes including the introductory paragraphs and section 3 of the Royal Public Finances Appendix A (the “accounts”). These accounts have been prepared using the accounting policies set out on pages 98 to 99.

Our report is designed to meet the agreed requirements of the Lord Chamberlain determined by the Lord Chamberlain at the time. Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Lord Chamberlain for any purpose or in any context. Any party other than the Lord Chamberlain who obtains our report or a copy and chooses to rely on our report (or any part of it) will do so at their own risk. To the fullest extent permitted by law KPMG LLP will accept no responsibility or liability in respect of our work to any other party.

Respective responsibilities of the Keeper of the Privy Purse and KPMG LLP

The Keeper of the Privy Purse is responsible for preparing the accounts for each financial year, which includes an account of the stewardship of the Grant-in-aid, in a form and content approved by the Department for Transport. The Keeper of the Privy Purse is also responsible for ensuring the regularity of financial transactions and for the preparation of the other contents of the Annual Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the accounts give a true and fair view and have been properly prepared on the stated basis. We also report to you whether in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding. We also report to you whether in our opinion the information given in the Annual Report is consistent with the accounts. The information given in the Annual Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Annual Report.

In addition we report to you if, in our opinion, the Royal Household has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and financial regularity of financial transactions included within the accounts. It also includes an assessment of the significant estimates and judgements made by the Keeper of the Privy Purse in preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Grant-in-aid and are consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, where caused by fraud or other irregularity or error and that in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view of the state of affairs of the Grant-in-aid at 31 March 2011 and the surplus for the year then ended and have been properly prepared on the basis of the accounting policies set out therein;
- the accounts have been prepared in accordance with the requirements of the combined accounts direction, as notified to the Royal Household by the Treasury;
- the information in the Annual Report is consistent with the accounts; and
- in all material respects, the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding and the financial transactions conform to the authorities which govern them.

W Meredith

For and on behalf of **KPMG LLP**
Chartered Accountants

London
9 June 2011

APPENDIX 1: JOURNEYS COSTING £10,000 OR MORE

The journeys listed in this appendix are only those undertaken by air or rail and funded from the Royal Travel Grant-in-aid. They account for approximately 15% of all royal engagements in 2010-11. The appendix does not detail journeys which cost less than £10,000 for the whole party, or include journeys by car. It should also be noted that the costs shown below for The Queen's Helicopter and the Royal Train are the variable costs only. Fixed costs are not included because they are payable irrespective of whether The Queen's Helicopter or Royal Train is used and do not result from undertaking specific journeys. Costs for chartered and scheduled air and rail represent the total cost of the journey (because all costs are variable). For some overseas tours, in-theatre charter aircraft are used due to the lack of local scheduled flights which fit the timings of the programmes. The costs of journeys include those relating to positioning, where applicable. A key to the abbreviations is given on page 115.

Household	Method of travel	Date	Itinerary	Cost (£)
The Prince of Wales	Charter flight	8 Apr	Aberdeen - NHT - Aberdeen	13,391
<i>Open the Qu'aince Gardens, Kew.</i>				
The Duke of York	Charter flight	13-24 Apr	Farnborough - Rome - Milan - Ashkabad - Almaty - Astana - Atyrau - Kiev - Farnborough	121,810
<i>Official UKTI and FCO visit to Italy and Central Asia.</i>				
The Prince of Wales	Royal Train	20 Apr	Aberdeen - London	23,052
<i>Attend Reception and Dinner for the British Asian Trust.</i>				
The Queen and The Duke of Edinburgh	Royal Train	26-27 Apr	Windsor - Bangor - Llandudno - Welshpool	37,158
The Duke of Edinburgh	Royal Train	28 Apr	Welshpool - Carmarthen	
<i>Wales: Caernarfon Castle: Visit Welsh Fusiliers Museum. Visit Welsh Highland Railway: Journey to Dinas Station. Unveiling Ceremony at Dinas Station. Visit Bangor University. Llandudno: Visit Venue Cymru Theatre and Conference Centre. Welshpool: Visit Welshpool Livestock Market. Welshpool Town Hall: Visit Farmers Market.</i>				
The Duke of York	Charter flight	3-11 May	Farnborough - Kuwait - Bahrain - Riyadh - Farnborough	88,612
<i>Official UKTI visit to the Middle East.</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Prince of Wales	Charter flight	12-14 May	NHT - Belfast - NHT	18,078
<i>Visit Royal Ulster Agricultural Society Annual Show, hold Investiture at Hillsborough Castle, hold Dinner to celebrate the First Enquiry By Design in Northern Ireland, visit Mount Stewart National Trust Property, Newtownards, visit Award-Winning Farm, Greyabbey, visit Queen's University Marine Research facility, Portaferry, visit Belfast City Hall, attend Prince's Trust "Working In Partnership" Seminar and Reception, visit the Police Service of Northern Ireland Headquarters and visit The Royal Ulster Constabulary George Cross Foundation Memorial Garden.</i>				
The Duke of York	Scheduled flight	16-20 May	LHR - Kuala Lumpur - Singapore - LHR	25,519
<i>Official UKTI visit to Malaysia.</i>				
The Prince of Wales and The Duchess of Cornwall	Royal Train	18-19 May	Bath - Middlesborough - London	18,960
<i>Visit Hemlington Lake, Caedmon School, Mayfair Unit in Redcar Esplanade and the Corus Steel Plant in Redcar.</i>				
The Queen and The Duke of Edinburgh	Royal Train	19 May	London - Scarborough	13,861
<i>Open the redeveloped Scarborough Open Air Theatre and visit the Duchy of Lancaster Estate in Cloughton.</i>				
The Duke of Kent	Scheduled flight	19-22 May	LHR - Calgary - Toronto - LHR	11,668
<i>Canada: Alberta: As Deputy Colonel in Chief, Royal Scots Dragoon Guards, visit the Regiment. Toronto: As Colonel in Chief, The Lorne Scots (Peel, Dufferin and Halton) Regiment, visit the Regiment.</i>				
The Prince of Wales	Charter flight	26-27 May	NHT - Oslo - Cardiff	25,534
<i>Attend the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries.</i>				
Staff (Prince of Wales)	Scheduled flight	4-5 May	LHR - Oslo	1,144
<i>Attend the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries.</i>				
The Queen and The Duke of Edinburgh	Charter flight	27 May	NHT - Edinburgh - Aberdeen	16,514
<i>Residence to residence.</i>				
The Prince of Wales	Royal Train	31 May	Kemble - Perth	22,687
<i>Holyrood week: Visit Stanley Mills, the Perth City Centre's Farmer's Market, Balbousie Castle, attend a reception at Scone Palace and join a Prince's Foundation for the Built Environment Seminar.</i>				
The Queen and The Duke of Edinburgh	Charter flight	1 Jun	Aberdeen - NHT	14,175
<i>Residence to residence.</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Prince of Wales and The Duchess of Cornwall	Charter flight	3-4 Jun	Holyrood - Arrochar, Luss - Cumnock - Holyrood - Alford - Glenlivet - Newcastle	22,324
<i>Visit the Three Villages Hall, visit Luss Church, attend Youth United Seminar at Dumfries House, attend Reception for Combat Stress at Dumfries House, and attend a Ceilidh at Holyroodhouse. Attend Prince's Regeneration Trust Seminar, open Craigevar Castle and Open Glenlivet Distillery.</i>				
The Princess Royal	Charter flight	7-9 Jun	Kemble - Dundee - Edinburgh - Kemble	10,171
<i>Open New Glasshouses, Scottish Crop Research Institute. Visit Lighthouses, National Lighthouse Board.</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	8 Jun	Aberdeen - LYN	12,990
<i>Residence to residence.</i>				
The Queen and The Duke of Edinburgh	Royal Train	9 Jun	London - Crewe	17,248
<i>Visit Reasebeath College and open new Equine Centre. Visit the Royal Welsh Regiment at Chester Racecourse.</i>				
The Prince of Wales	Charter flight	11 Jun	HG - Whitehaven - KP	10,305
<i>Cumbria: Meet first responders, ambulance crews, injured victims, meet family liaison groups, local church groups, other community leaders and victims' families.</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	12 Jun	NHT - Aberdeen	15,301
<i>Residence to residence.</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	16 Jun	Aberdeen - NHT	14,485
<i>Residence to residence.</i>				
The Earl and Countess of Wessex	Charter flight	18-20 Jun	Farnborough - Stockholm - Farnborough	14,916
<i>Represent Her Majesty The Queen at the marriage of Crown Princess Victoria of Sweden, visit HMS Kent, hold investiture, and other engagements.</i>				
The Princess Royal	Charter flight	18 Jun	Kemble - Dusseldorf - Kemble	10,186
<i>Rheindalen: Attend Farewell Parade.</i>				
The Princess Royal	Charter flight	21-22 Jun	Kemble - Glasgow - Edinburgh - Kemble	10,395
<i>Renfrew: Visit Doosan Babcock Energy Ltd. Dumbartonshire: Gartochan:Columba 1400: Open Loch Lomond Centre. Fife: Visit Pfaudler Balfour Ltd - Bicentenary visit, Riverside, Leven.North Queensferry Heritage Trust - open Harbour Light Tower.</i>				
The Duke of Gloucester	Scheduled flight	21-29 Jun	LHR - Seoul - LHR	19,878
<i>Official FCO visit to Korea.</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Prince of Wales	Royal Train	24 Jun	London - Bridgend	17,284
<i>Visit the Ford Engine Plant, Bridgend, Coed Darcy, and Corgi Hosiery, Ammanford.</i>				
The Queen and The Duke of Edinburgh	Charter flight	12 Jul	NHT - Edinburgh - Marham	12,276
<i>Residence to residence: Holyrood week</i>				
The Duke of Kent	Scheduled flight	14-17 Jul	LHR - Bahrain - LHR	10,276
<i>Official Military visit to Afghanistan.</i>				
HM The Queen	Charter flight	15 Jul	Edinburgh - Marham	11,413
<i>Return to residence following Holyrood week.</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	19 Jul	Lynham - Lille - NHT	11,161
<i>Attend and lay a wreath to commemorate the re-internment of the Unknown Warrior at Fromelles. Attend a reception for families of soldiers identified in the mass graves in Fromelles. Lay a wreath at the Indian Army Cemetery.</i>				
Staff (The Prince of Wales)	Scheduled flight	17-18 May	Stanstead - Paderborn - Stanstead	1,349
<i>Reconnaissance visit in advance of forthcoming visit to 1 Army Air Corps and 3 Mercians.</i>				
The Prince of Wales	Charter flight	26 Jul	Lynham - Paderborn, Hannover - Marham	11,280
<i>Gutersloh: Visit 1 Army Air Corps to present Operational Medals. Visit 3 Mercian for families day prior to deployment to Afghanistan.</i>				
The Prince of Wales	Charter flight	30 Jul	LYN - Inverness - Wick	16,642
<i>Visit to The Stone House at Foulis (North Highland Initiative).</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	15 Aug	Aberdeen - NHT - Aberdeen	13,509
<i>Attend VJ Day 65th Anniversary.</i>				
The Duke of York	Scheduled flight	2-11 Sep	LHR - Beijing - Shanghai - Beijing - LHR	29,828
<i>Official UKTI visit to China.</i>				
The Prince of Wales	Royal Train	6-9 Sep	Glasgow - Edinburgh - Carmarthen - Bristol - Newcastle - Todmorden - Manchester - Nottingham - Birmingham - London	52,644
<i>Launch of the Start Tour, Glasgow Queen's Street Railway Station. Visit St Andrew's Square, Edinburgh. Visit Climate Change Shop, Edinburgh. Visit the Start Shop, Cabot Circus, Bristol. Visit Ouseburn Farm, Newcastle upon Tyne. Visit Incredible Edible Todmorden. Dinner at Gorton Monastery, Manchester. Visit the Meadows Partnership Trust, Nottingham. Visit ThinkTank, Birmingham. Attend Reception for IBM conference, London.</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Princess Royal	S76	6-8 Sep	Balmoral - East Kilbride, Coalburn - Balmoral - Birmingham - Balmoral - Kincaig - Isle of Eigg - Lochgilpead - St Andrews	20,847
<i>Controlled Therapeutics (Scotland) Ltd - open new Manufacturing facility, East Kilbride.L. S. Smellie and Sons Ltd - open new Headquarters Grain Store Facility, Strathaven.Lanarkshire: Visit Coalburn Silver Band.Royal Association of British Dairy Farmers - open Dairy Event and Livestock Show 2010, NEC, Birmingham.Royal Zoological Society of Scotland - visit Highland Wildlife Park, Kincaig.Isle of Eigg - visit Isle of Eigg Heritage Trust Royal Zoological Society of Scotland - visit Scottish Beaver Trial, Lochgilpead. SSAFA Forces Help - Reception and Dinner, Fairmont, St Andrews.</i>				
Staff (Prince of Wales)	Scheduled flight	6-15 Sep	LHR - Delhi - LHR	15,017
<i>Reconnaissance visit in advance of forthcoming Official FCO visit to India by TRH The Prince of Wales and The Duchess of Cornwall</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	10 Sep	NHT - Aberdeen	13,242
<i>Residence to residence.</i>				
The Princess Royal	Charter flight	14-15 Sep	GP - Ripon - York - Chatsworth - Bowness-on-Windermere - Oakworth - Bradford - Skelmanthorpe - GP	13,513
<i>Yorkshire: Visit 32rd Signal (Volunteers) Regiment Annual Camp, Deverell Barracks, Ripon. York: NACAB: Annual Conference and AGM, Heslington. Cumbria: Windermere: RYA Sailability: Open Blackwell Sailing Premises. Haworth: Wooden Spoon Society. Open RDA Haworth.Saltaire: Pace plc. Visit Pace plc, Salts Mill, Saltaire. Denby Dale: Visit Denby Dale Pie Company.</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	18-19 Sep	Aberdeen - NHT - Aberdeen	21,201
<i>Attend Battle of Britain Fighter Association Service.</i>				
The Earl of Wessex	Charter flight	23 Sep	NHT - Inverness - Glasgow - NHT	12,491
<i>Fortrose: Open the newly renovated Youth Club at Fortrose Academy.Strathpeffer:Open the new Strathpeffer Museum of Childhood.Dingwall: Visit Munro Sawmills.Glasgow: Attend a performance of National Youth Theatre over Kabul at the Tammy Theatre.</i>				
Staff (HM The Queen)	Scheduled flight	27 Sep-5 Oct	LHR - Muscat - Abu Dhabi - LHR	20,080
<i>Reconnaissance visit in advance of forthcoming State Visit.</i>				
The Duke of Gloucester	Scheduled flight	28 Sep-3 Oct	LHR - Abuja, Lagos - LHR	11,465
<i>Official FCO visit to Nigeria.</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Princess Royal	Charter flight	29-30 Sep	London City - Glasgow - Jersey - Kemble	13,490
<i>Glasgow: Scottish Chambers of Commerce: Attend Annual Dinner. Jersey: Trinity: Jersey Dairy: Open new Dairy, La Route de la Trinite. Durrell Wildlife Conservation Trust: Attend Capital Campaign Private Launch. St Helier: Jersey Field Squadron Royal Engineers: Visit Le Quesne Barracks.</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	1-5 Oct	LYN - Delhi - Chandigarh - Jodhpur - ABZ	298,089
<i>Official FCO visit to India.</i>				
Staff (Duke of York)	Scheduled flight	4-10 Sep	LHR - Singapore - Ho Chi Minh City - Hanoi - Hong Kong - LHR	5,551
<i>Reconnaissance visit in advance of forthcoming Official UKTI visit to Asia.</i>				
The Duke of York	Scheduled flight	8 - 19 Oct	LHR - Hanoi, Hong Kong - LHR	42,137
	Charter flight	12-17 Oct	Hanoi - Ho Chi Minh City - Singapore - Hong Kong	45,306
<i>Official UKTI visit to Asia.</i>				
HM The Queen	Charter flight	11 Oct	Aberdeen - Southampton - NHT	17,886
<i>Southampton: Name new Cunard cruise liner, The Queen Elizabeth.</i>				
The Queen and The Duke of Edinburgh	Charter flight	21-22 Oct	NHT - Belfast - NHT	20,714
<i>Official visit to Northern Ireland.</i>				
The Princess Royal	Charter flight	28-29 Oct	NHT - Lossiemouth, Inverness - Kemble	12,649
<i>Scotland: Elgin: Rotary Club of Elgin: Attend Weekly Meeting. Elgin: Give Them A Sporting Chance: Attend Management Team Planning Meeting. Lord-Lieutenant of Moray - present Queen's Award for Voluntary Service 2010. Oakwood Motel - visit Riv.</i>				
The Prince of Wales	Royal Train	4 Nov	London - Carmarthen	18,672
<i>Visit National Botanic Garden of Wales, Llanarthney. Visit Prince's Foundation Live Build Project. Prince's Trust Cymru at Llynwyvermod. PRIME Cymru at Llynwyvermod. Attend Welsh Charitables RFC Dinner at Llandovery RFC, Llandovery</i>				
The Queen and The Duke of Edinburgh	Royal Train	17 Nov	Windsor & Eton Riverside - Sheffield	16,832
<i>Sheffield: Visit Institute for Translational Neuroscience. Sheffield Cathedral Listen to 'Sing' demonstrations & View Volunteer Projects. Visit Sheffield University.</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Prince of Wales	Royal Train	22-23 Nov	Euston - Bradford - Kings Lynn	20,949
<i>Yorkshire: Bradford: Visit Centenary Square, Bradford. Visit Belle Vue School, Bradford. Visit Haworth Scouring. Visit Bulmer and Lumb Textile Manufacturers. Visit the British Wool Marketing Board Headquarters. Norfolk: Sandringham: 1 Mercian Regiment Medal Presentation and Reception.</i>				
Staff (The Queen and The Duke of Edinburgh)	Scheduled flight	23 Nov	LHR - Abu Dhabi - Muscat	7,680
<i>3 Press Officers positioning ahead of State Visit to The United Arab Emirates and the Sultanate of Oman.</i>				
The Queen and The Duke of Edinburgh	Charter flight	24-28 Nov	LHR - Abu Dhabi - Muscat - LHR	356,253
<i>State Visit to the United Arab Emirates and the Sultanate of Oman.</i>				
The Princess Royal	Scheduled flight	28 Nov - 4 Dec	LHR - Seychelles, Mauritius - LHR	19,419
	Charter flight	1 Dec	Seychelles - Assumption - Mauritius	24,901
<i>Official FCO visit to the Seychelles and Mauritius.</i>				
The Prince of Wales	Royal Train	5-6 Dec	Kemble - York - London	20,767
<i>Attend the 4 Mechanized Brigade's Service of Remembrance and a reception for the bereaved families.</i>				
The Prince of Wales	Royal Train	24 Jan	Ayr - East Midlands	22,216
<i>Visit to Wimpole Hall, Cambridge: visit to Pitt Building Norwich: Visit to the University of East Anglia.</i>				
The Princess Royal	Charter flight	3-4 Feb	NHT - Edinburgh - Newcastle - Kemble	10,275
<i>Attend Royal Society of Edinburgh Conference; visit the University of Newcastle.</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	4 Feb	NHT - Belfast City - LYN	12,441
<i>Engagements in Northern Ireland</i>				
The Prince of Wales	Royal Train	16-17 Feb	London - Penrith - Uttoxeter	25,074
<i>Cumbria: Visit to Hutton in the Forest for Red Squirrel Survival Trust Reception. Visit to Swinside End Farm, Low Lorton. Visit to Main Street, Cockermouth. Visit to Mitchell's Livestock Market. Derbyshire: Visit to JCB Academy. Visit to Royal Crown Derby. Visit to Bluebells Dairy. Visit to Millfield House, Sexual Abuse Referral Centre. Visit to Cromford Railway Station.</i>				
Prince William	Charter flight	24-25 Feb	RAF Valley - Leuchars - NHT	10,212
<i>Engagement at Trearddur Bay RNLi Lifeboat station: Visit St Andrews University to launch the 600th Anniversary celebrations.</i>				
The Princess Royal	Scheduled flight	28 Feb-3 Mar	LHR - Dhaka - LHR	11,406
<i>Official FCO visit to Bangladesh</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
Prince William	Charter flight	8 Mar	NHT - Belfast - NHT	10,530
<i>Visit to Northern Ireland.</i>				
The Prince of Wales and The Duchess of Cornwall	BAe146	28-30 Mar	LYN - Lisbon - Madrid	17,917
<i>Official FCO visit to Portugal and Spain.</i>				

Summary of other journeys by scheduled air and rail costing less than £10,000 each

S76	Various	Various	(145 journeys)	502,503
Charter helicopter	Various	Various	(58 journeys)	270,392
Charter flight	Various	Various	(65 journeys)	442,323
HS 125	Various	Various	(1 journey)	4,000
Scheduled flight	Various	Various		161,779
Scheduled rail	Various	Various		54,720
				3,422,963

Key

LHR	London Heathrow
LGW	London Gatwick
ABZ	Aberdeen
EDI	Edinburgh
LYN	Lyneham
NHT	Northolt
GLA	Glasgow
KP	Kensington Palace
HG	Highgrove
WC	Windsor Castle
GP	Gatcombe Park

APPENDIX 2: OPERATING STATISTICS

AIR TRAVEL

Flying hours

<i>Year to 31 March</i>	2011	2010
	hours	hours
Helicopters	526	504
Fixed wing	401	440
Total flying hours	927	944

HELICOPTERS - FLYING HOURS

<i>Year to 31 March</i>	2011	2010
	hours	hours
The Queen's Helicopter	385	353
Charter helicopters	141	151
Total flying hours	526	504

The helicopter forms an integral element of Royal Travel and provides a highly efficient and cost-effective travel option. The flexibility offered by the helicopter enables members of the Royal Family to undertake a number of engagements at different locations on the same day.

In September 2009, The Queen's Helicopter, a Sikorsky S76 C+, was replaced by a Sikorsky S76 C++. The new helicopter is used by the Royal Household under the terms of a ten-year operating lease (expiry September 2019) and related maintenance contracts; it can carry six passengers. The variable cost for The Queen's Helicopter, including VAT, was £1,358 per flying hour (2009-10: £1,187). Charter helicopters provided additional capacity during the year when more than one helicopter was required.

FIXED WING (CIVIL OPERATORS)

Flying hours

<i>Year to 31 March</i>	2011	2010
	hours	hours
Small fixed wing aircraft charter	351	232
Large fixed wing aircraft charter	45	27
	396	259

The reduction in utilisation of 32 Squadron in 2010-11 (see Page 117) has given rise to the increase in fixed wing charter during the year.

SCHEDULED FLIGHTS

During the year members of the Royal Family travelled 141,000 miles (2009-10: 42,000) on 21 scheduled flights (2009-10: 6).

FIXED WING (32 SQUADRON)

Flying hours

<i>Year to 31 March</i>	2011 hours	2010 hours
BAe 146	4	47
HS 125	<u>1</u>	<u>134</u>
	<u>5</u>	<u>181</u>

32 Squadron primarily provides air travel to meet the operational requirements of the Armed Services but has also been available for members of the Royal Family up to 2009-10. With effect from 1 April 2010, 32 Squadron was available at full cost (HS125: £9,997 and BAe146: £13,086 per flying hour) for journeys by HM The Queen and HRH The Prince of Wales, where this was the preferred option over a charter aircraft. No journeys were undertaken under these arrangements. With effect from 1 December 2010, the rates were revised (HS125: £4,000 and BAe146: £5,000 per flying hour).

A BAe 146 is a four-engined jet which is configured to carry 19 or 26 passengers; the hourly variable cost was £5,000 in 2010-11 (2009-10: £1,846).

The HS 125 is a twin-engined jet which carries seven passengers; the hourly variable cost was £4,000 (2009-10: £1,114 to 31 December 2009 and £1,138 from 1 January 2010).

Flying hours include both the flight and any pre/post-flight positioning of the aircraft.

RAIL TRAVEL

Royal Train

During the year there have been 14 journeys (2009-10: 19), with an average distance of 931 miles per journey (2009-10: 751 miles). During these journeys a total of 19 nights were spent on the Royal Train (2009-10: 20 nights).

The Royal Train comprises nine coaches, including coaches for Household and railway staff, the Police, communications equipment and electricity supply. Five to eight of the coaches are used at any one time. It enables members of the Royal Family to carry out busy schedules over an extended period in a secure environment which minimises disruption and inconvenience to the public and provides accommodation and office facilities. The Train is available for use, on a recharging basis, by Government and for national interest purposes. However, its configuration is for overnight travel and it is not suitable for large scale travel and entertaining.

A review of the future of the Royal Train nine years ago concluded that it should continue to be used as an integral part of Royal Travel but that the Household and Department for Transport should actively monitor costs to ensure it is run and maintained in the most cost effective manner possible. During the fourteen years of the Grant-in-aid, costs have been reduced (a 52% reduction in absolute terms) through a number of initiatives (including rationalisation of the coach fleet and reviews of costs with the railway companies).

Scheduled rail

During the year members of the Royal Family made 83 journeys by scheduled rail (2009-10: 52), with an average distance of 126 miles per journey (2009-10: 99 miles).

Royal Public Finances

Appendices

APPENDIX A: PENSION ARRANGEMENTS

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

- (a) a scheme managed by the Government analogous to the 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 and are non-contributory for employees (except in respect of widows'/widowers' benefits for the Government managed scheme). Full-time permanent employees joining from 1 April 2002 are entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme. Information about the schemes is set out below.

Royal Household Pension Scheme

The scheme is managed by the Government and has terms analogous to the Principal Civil Service Pension Scheme. Eligible employees are those 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 (PSA) when the Royal Household's Property Services section was established. Pension contributions are paid directly to the Consolidated Fund and, in turn, pension benefits are paid directly from the Consolidated Fund on a defined benefit basis. The contribution rate during the year was 21.1% of pensionable pay (2009-10: 21.1%), reflecting a valuation by the Government Actuary's Department. The contribution rates reflect the cost of pension benefits as they are earned by employees.

The pension scheme, managed by the Government, is not a funded scheme. As permitted by FRS 17: Retirement Benefits, this scheme will continue to be accounted for as if it were a defined contribution scheme.

Royal Households Group Pension Scheme

All full-time permanent employees who joined before 31 March 2002 and are not members of the Royal Household Pension Scheme were entitled to be members of the Royal Households Group Pension Scheme, which is managed by trustees on behalf of the Royal Household. The scheme provides benefits which are based on final pay and is non-contributory for employees.

The contribution rate for the scheme is based on triennial valuations undertaken by a qualified independent actuary using the projected unit method. As the scheme is closed to new entrants, under the projected unit method the current service cost will increase as the members approach retirement. The most recent completed valuation was as at 31 December 2008. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. It was assumed that the real investment return would be 1.6% per annum post-retirement and 3.1% per annum pre-retirement, that real salary increases would average 1.5% per annum and that pensions would increase at the rates specified in the scheme rules.

The most recent actuarial valuation showed that the total market value of the assets of the scheme was £28.9 million and that this value of the assets was sufficient to cover 60% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Following this valuation, the employer's contribution rates were as follows:

- (a) staff employed by the Civil List decreased to 24.2% from 1 January 2009 (previously 25.1%), plus £75,000 each year for fifteen years from 1 April 2010 increasing annually at 2.8% per annum (previously an index-linked annual payment of £59,000);
- (b) staff employed by the Property Services section decreased to 26.3% from 1 January 2009 (previously 27.6%), plus £149,000 each year for fifteen years from 1 April 2010 increasing annually at 2.8% per annum (previously an index-linked annual payment of £126,000 shared with Royal Travel); and
- (c) staff employed by Royal Travel decreased to 26.8% from 1 January 2009 (previously 27.6%), plus £31,000 each year for fifteen years from 1 April 2010 increasing annually at 2.8% per annum (previously an index-linked annual payment of £126,000 shared with Property Services).

The benefit accrual rate was reduced from 1/60 to 1/70 for each year of service from 1 April 2007.

It is assumed that these measures will be sufficient to eliminate the Civil List's share of the past service deficit of £1.2 million and the Property Services section's share of the past service deficit of £3.0 million over fifteen years and meet the current service cost. Royal Travel's share of the past service deficit of £0.6 million was settled in full during 2009-10 and future pension contributions for Royal Travel will amount to 26.8% of salary costs to meet the current service cost.

The valuation used for this disclosure has been based on the most recent actuarial review of the Royal Households Group Pension Scheme as at 31 December 2008 updated by an independent qualified actuary, Hewitt, to take account of the requirements of FRS 17: Retirement Benefits in order to assess the liabilities in respect of the Civil List section of the scheme at 31 December 2010 and of Property Services and Royal Travel sections of the scheme at 31 March 2011.

Allowance has been made for RPI revaluations in deferment, despite the fact that the Scheme is only legally committed to providing CPI revaluations in deferment. Allowing for RPI revaluations is consistent with the view that the scheme retains a constructive obligation to provide RPI revaluations in deferment until members are informed otherwise.

Scheme assets in respect of the Civil List section of the scheme are stated at their market values at 31 December 2010 and scheme assets in respect of the Property Services and Royal Travel sections of the scheme are stated at their market values at 31 March 2011.

Actuarial assumptions adopted as at 31 December (% pa)	2010	2009	2008	2007	2006
Discount rate	5.3	5.7	6.0	5.8	5.1
Rate of general long-term increase in salaries	4.0	4.6	4.5	4.9	4.6
Rate of price inflation (RPI)	3.5	3.6	3.0	3.4	3.1
Rate of price inflation (CPI)	2.6	N/A	N/A	N/A	N/A
Rate of increase to pensions in payment (pre-1993 service)	5.0	5.0	5.0	5.0	5.0
Rate of increase to pensions in payment (post-1993 service)	3.3	3.4	3.0	3.4	3.1

Actuarial assumptions adopted as at 31 March (% pa)	2011	2010	2009	2008	2007
Discount rate	5.6	5.6	6.5	6.9	5.4
Rate of general long-term increase in salaries	4.1	4.3	5.1	5.2	4.7
Rate of price inflation	3.6	3.8	3.6	3.7	3.2
Rate of increase to pensions in payment (pre-1993 service)	5.0	5.0	5.0	5.0	5.0
Rate of increase to pensions in payment (post-1993 service)	3.4	3.6	3.4	3.6	3.2

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are:

Member currently aged 65 will live on average for a further number of years:

	2010-11		2009-10	
	Male	Female	Male	Female
Civil List	22.0	24.0	21.9	23.9
Property Services and Royal Travel	22.0	24.0	22.0	24.0

A member who retires at age 65 will live on average for a further number of years:

Civil List (retires in 2030)	24.4	26.3	24.3	26.2
Property Services and Royal Travel (retires in 2031)	24.4	26.3	24.4	26.3

The Royal Household employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme.

As at 31 December (%)	2010	2009	2008	2007	2006
Average annual expected long-term rate of return/ total fair value of assets	6.6	7.3	6.8	6.9	6.9

As at 31 March (%)	2011	2010	2009	2008	2007
Average annual expected long-term rate of return/ total fair value of assets	6.7	7.3	6.8	7.0	7.1

1. CIVIL LIST

	Value as at 31 December				
	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m
Fair value of scheme assets	3.7	3.0	2.3	2.4	1.9
Present value of funded defined benefit obligations	(4.6)	(4.2)	(3.3)	(3.4)	(3.1)
Net pension liability recognised on the balance sheet	<u>(0.9)</u>	<u>(1.2)</u>	<u>(1.0)</u>	<u>(1.0)</u>	<u>(1.2)</u>

There is therefore a net pension liability of £0.9 million as at 31 December 2010 (2009: £1.2 million). The amount of this net pension liability has a consequential effect on reserves.

Analysis of amounts charged against income and expenditure

Year to 31 December	2010	2009
	£m	£m
Current service cost	0.3	0.2
Expected return on scheme assets	(0.2)	(0.2)
Interest on pension scheme liabilities	0.2	0.2
Expense recognised in income and expenditure account	<u>0.3</u>	<u>0.2</u>

Changes to the present value of the defined benefit obligations during the year are as follows:

	2010	2009
	£m	£m
Defined benefit obligations as at 1 January	4.2	3.3
Movement in year:		
Current service cost	0.3	0.2
Interest cost	0.2	0.2
Net benefits paid out	(0.1)	–
Actuarial gains on scheme liabilities	–	0.5
Defined benefit obligations as at 31 December	<u>4.6</u>	<u>4.2</u>

Changes to the fair value of scheme assets during the year are as follows:

	2010	2009
	£m	£m
Fair value of scheme assets as at 1 January	3.0	2.3
Movement in year:		
Expected return on scheme assets	0.2	0.2
Contributions by the employer	0.4	0.3
Net benefits paid out	(0.1)	–
Actuarial gains on scheme assets	0.2	0.2
Fair value of scheme assets as at 31 December	<u>3.7</u>	<u>3.0</u>

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

	2010	2009
	£m	£m
Deficit as at 1 January	(1.2)	(1.0)
Movement in year:		
Current service cost	(0.3)	(0.2)
Contributions	0.4	0.3
Actuarial gains / (losses)	0.2	(0.3)
Deficit as at 31 December	<u>(0.9)</u>	<u>(1.2)</u>

The actual return on scheme assets comprises:

	2010	2009
	£m	£m
Expected return on scheme assets	0.2	0.2
Actuarial gains on scheme assets	0.2	0.2
Actual return on scheme assets	<u>0.4</u>	<u>0.4</u>

The amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL) were as follows:

	2010	2009
	£m	£m
Total actuarial gains / (losses)	0.2	(0.3)
Total gains/ (losses) in STRGL	0.2	(0.3)
Cumulative amount of gains recognised in STRGL	0.3	0.1

The history of assets values, defined benefit obligations and the deficit in the scheme is as follows:

	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m
Fair value of scheme assets	3.7	3.0	2.3	2.4	1.9
Defined benefit obligations	(4.6)	(4.2)	(3.3)	(3.4)	(3.1)
Deficit in scheme	<u>(0.9)</u>	<u>(1.2)</u>	<u>(1.0)</u>	<u>(1.0)</u>	<u>(1.2)</u>

The history of experience gains and losses is as follows:

	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m
Experience gains/ (losses) on scheme assets	0.2	0.2	(0.7)	–	–
Experience gains/ (losses) on scheme liabilities	0.1	(0.3)	–	(0.1)	0.2

Estimate of income and expenditure charge for the coming year:

Using the assumptions for return on the assets set out above, the charge to the income and expenditure account for the next year is explained as follows:

Year to 31 December	2011
	£m
Current service cost	0.3
Past service cost	(0.1)
Expected return on scheme assets	(0.2)
Interest on pension scheme liabilities	0.2
Total estimated pension expense	<u>0.2</u>

2. PROPERTY SERVICES

	Value as at 31 March				
	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Fair value of scheme assets	7.8	7.1	4.9	5.6	5.6
Present value of funded defined benefit obligations	(8.9)	(8.9)	(7.3)	(6.3)	(7.2)
Net pension liability recognised on the balance sheet	<u>(1.1)</u>	<u>(1.8)</u>	<u>(2.4)</u>	<u>(0.7)</u>	<u>(1.6)</u>

There is a net pension liability of £1.1 million as at 31 March 2011 (£1.8 million as at 31 March 2010). The amount of this net pension liability has a consequential effect on reserves.

Analysis of amounts charged against income and expenditure

Year to 31 March	2010-11	2009-10
	£m	£m
Current service cost	<u>(0.3)</u>	<u>(0.3)</u>
Amounts charged against expenditure	<u>(0.3)</u>	<u>(0.3)</u>

Year to 31 March	2010-11	2009-10
	£m	£m
Expected return on scheme assets	0.5	0.3
Interest on pension scheme liabilities	(0.5)	(0.5)
Pension finance charge	—	(0.2)

Changes to the present value of the defined benefit obligations during the year are as follows:

	2010-11	2009-10
	£m	£m
Defined benefit obligations as at 1 April	8.9	7.3
Movement in year:		
Current service cost	0.3	0.3
Interest cost	0.5	0.5
Actuarial (gains) / losses on scheme liabilities	(0.6)	0.9
Net benefits paid out	(0.2)	(0.1)
Defined benefit obligations as at 31 March	8.9	8.9

Changes to the fair value of scheme assets during the year are as follows:

	2010-11	2009-10
	£m	£m
Fair value of scheme assets as at 1 April	7.1	4.9
Movement in year:		
Expected return on scheme assets	0.5	0.3
Contributions by the employer	0.5	0.5
Actuarial (losses) / gains on scheme assets	(0.1)	1.5
Net benefits paid out	(0.2)	(0.1)
Fair value of scheme assets as at 31 March	7.8	7.1

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

	2010-11	2009-10
	£m	£m
Deficit as at 1 April	(1.8)	(2.4)
Movement in year:		
Current service cost	(0.3)	(0.3)
Contributions	0.5	0.5
Actuarial gains	0.5	0.4
Deficit as at 31 March	<u>(1.1)</u>	<u>(1.8)</u>

The actual return on scheme assets comprises:

Year to 31 March	2011	2010
	£m	£m
Expected return on scheme assets	0.5	0.3
Actuarial (losses)/ gains on scheme assets	(0.1)	1.5
Actual return on scheme assets	<u>0.4</u>	<u>1.8</u>

The amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL) were as follows:

Year to 31 March	2011	2010
	£m	£m
Total actuarial gains	0.5	0.6
Total gains	0.5	0.6
Cumulative amount of gains recognised in STRGL	0.6	0.1

The history of assets values, defined benefit obligations and the deficit in the scheme is as follows:

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Fair value of scheme assets	7.8	7.1	4.9	5.6	5.6
Defined benefit obligations	(8.9)	(8.9)	(7.3)	(6.3)	(7.2)
Deficit in scheme	<u>(1.1)</u>	<u>(1.8)</u>	<u>(2.4)</u>	<u>(0.7)</u>	<u>(1.6)</u>

The history of experience gains and losses is as follows:

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Experience (losses)/ gains on scheme assets	(0.1)	1.5	(1.5)	(0.7)	–
Experience gains / (losses) on scheme liabilities	0.3	(0.4)	(0.1)	–	0.1

Estimate of income and expenditure charge for the coming year:

Using the assumptions for return on the assets set out above, the charge to the Income and Expenditure Account for the next year is explained as follows:

Year to 31 March	2012
	£m
Current service cost	0.3
Expected return on scheme assets	(0.5)
Interest on pension scheme liabilities	0.5
Total estimated pension expense	<u>0.3</u>

3. ROYAL TRAVEL

	Value as at 31 March				
	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Fair value of scheme assets	2.5	2.3	1.2	1.3	1.2
Present value of funded defined benefit obligations	(2.2)	(2.1)	(1.7)	(1.4)	(1.6)
Net pension asset / (liability) recognised on the balance sheet	0.3	0.2	(0.5)	(0.1)	(0.4)

There is a net pension asset of £0.3 million as at 31 March 2011 (£0.2 million as at 31 March 2010).

Analysis of amounts charged against income and expenditure

Year to 31 March	2010-11	2009-10
	£m	£m
Current service cost	(0.1)	(0.1)
Expected return on scheme assets	0.1	0.1
Interest on pension scheme liabilities	(0.1)	(0.1)
Expense recognised in income and expenditure account	<u>(0.1)</u>	<u>(0.1)</u>

Changes to the present value of the defined benefit obligations during the year are as follows:

	2010-11	2009-10
	£m	£m
Defined benefit obligations as at 1 April	2.1	1.7
Movement in year:		
Current service cost	0.1	0.1
Interest cost	0.1	0.1
Actuarial (gains) / losses on scheme liabilities	(0.1)	0.2
Defined benefit obligations as at 31 March	<u>2.2</u>	<u>2.1</u>

Changes to the fair value of scheme assets during the year are as follows:

	2010-11	2009-10
	£m	£m
Fair value of scheme assets as at 1 April	2.3	1.2
Movement in year:		
Expected return on scheme assets	0.1	0.1
Contributions by the employer	0.1	0.6
Actuarial gains on scheme assets	–	0.4
Fair value of scheme assets as at 31 March	<u>2.5</u>	<u>2.3</u>

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

	2010-11	2009-10
	£m	£m
Deficit as at 1 April	0.2	(0.5)
Movement in year:		
Current service cost	(0.1)	(0.1)
Contributions	0.1	0.6
Actuarial gains	0.1	0.2
Surplus as at 31 March	<u>0.3</u>	<u>0.2</u>

The actual return on scheme assets comprises:

	2011	2010
	£m	£m
Expected return on scheme assets	0.1	0.1
Actuarial gains on scheme assets	–	0.4
Actual return on scheme assets	0.1	0.5

The amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL) were as follows:

Year to 31 March	2011	2010
	£m	£m
Total actuarial gains	0.1	0.2
Total gains in STRGL	0.1	0.2
Cumulative amount of gains recognised in STRGL	0.1	–

The history of assets values, defined benefit obligations and the surplus / (deficit) in the scheme is as follows:

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Fair value of scheme assets	2.5	2.3	1.2	1.3	1.2
Defined benefit obligations	(2.2)	(2.1)	(1.7)	(1.4)	(1.6)
Surplus / (deficit) in scheme	0.3	0.2	(0.5)	(0.1)	(0.4)

The history of experience gains and losses is as follows:

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Experience gains/(losses) on scheme assets	–	0.4	(0.4)	(0.2)	–
Experience (losses)/ gains on scheme liabilities	–	(0.1)	–	–	–

Estimate of income and expenditure charge for the coming year:

Using the assumptions for return on the assets set out above, the charge to the Income and Expenditure Account for the next year is explained as follows:

Year to 31 March	2012
	£m
Current service cost	0.1
Expected return on scheme assets	(0.1)
Interest on pension scheme liabilities	0.1
Total estimated pension expense	<u>0.1</u>

Royal Household Defined Contribution (Stakeholder) Pension Scheme

Full-time permanent employees joining from 1 April 2002 are entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme (“the Stakeholder Scheme”), which is administered by Legal & General. The Stakeholder Scheme is non-contributory for employees and the Royal Household pays contributions into the fund for each employee. The current rate of contribution is 15% of pensionable salary. Benefits are based on contribution levels linked to investment returns over the period to retirement. Employees can, if they wish, make their own contributions up to the Inland Revenue limits.

APPENDIX B: ROYAL HOUSEHOLD COMBINED ACCOUNTS DIRECTION

This Accounts Direction is given by HM Treasury in accordance with Section 9 of the Civil List Audit Act 1816; by the Secretary of State for Culture, Media and Sport in accordance with Memorandum of Understanding between the Lord Chamberlain and the Permanent Secretary of the Department for Culture, Media and Sport dated 28 September 2006; and by the Secretary of State for Transport in accordance with Memorandum of Understanding between the Lord Chamberlain and The Permanent Secretary of the Department for Transport dated 25 March 1997.

1. The Royal Household shall prepare accounts for The Queen's Civil List for the year ending 31 December 2008 and for each of the Grants-in-aid for the Maintenance of the Occupied Royal Palaces, Royal Communications and Information, Marlborough House, and Royal Travel by Air and Rail (the Grants-in-aid) for the year ending 31 March 2009 and for subsequent years comprising:
 - (a) an Annual Report;
 - (b) an Income and Expenditure Account;
 - (c) a Balance Sheet;
 - (d) a Cash Flow Statement; and
 - (e) a Statement of Total Recognised Gains and Losses,
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:
 - (a) Generally Accepted Accounting Practice in the United Kingdom (UK GAAP);
 - (b) the requirements of the Government Financial Reporting Manual (FRoM)insofar as these are appropriate to The Queen's Civil List and the Grants-in-aid 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 FRoM, the Companies Act 2006 (and where applicable Companies Act 1985), accounting standards 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

For The Secretary of State, Department of Culture, Media and Sport

For the Secretary of State, Department for Transport

23 February 2009

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 Queen’s Civil List or Grants-in-aid 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 Queen’s Civil List and Grants-in-aid accounts 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 Queen’s Civil List and the Grants-in-aid).
4. When preparing the Income and Expenditure Accounts for The Queen’s Civil List and the Grants-in-aid 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.¹
5. When preparing the Balance Sheets for The Queen’s Civil List and the Grants-in-aid 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 Queen’s Civil List or the Grant-in-aid for the Maintenance of the Occupied Royal Palaces, although expenses relating to their use and maintenance shall be included.
7. The Queen’s Civil List and the Grants-in-aid 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 Queen’s Civil List (and any draw down from the Civil List Reserve), and Grants-in-aid from the Departments are not required to be taken to General Fund but may be recognised in the Income and Expenditure account in the year in which received;

¹ 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) Paragraph 5.2.6 of the FReM need not apply. That is to say that the provisions of FRS 15 relating to measurement of tangible fixed assets at cost and valuations by class of asset may be applied in order to give a true and fair view;
- (c) Notional cost of capital charges need not be applied; and
- (d) In the event of inconsistency between UK GAAP and the FReM, UK GAAP shall be applied, unless directed by the Treasury.

Other disclosure requirements

9. The Annual Report and accounts shall, inter alia:
- (a) State that the accounts of The Queen's Civil List and the Grants-in-aid have been prepared in accordance with this Accounts Direction;
 - (b) Include a Statement of the Keeper of the Privy Purse financial responsibilities in respect of each of The Queen's Civil List and the Grants-in-aid;
 - (c) Include a Statement on Internal Control. It will be sufficient for the Royal Household to prepare one such statement provided that the systems of internal controls for each of The Queen's Civil List and the Grants-in-aid are separately described therein and refer to compliance with the Civil List Audit Act 1816 or the provisions of the Royal Household's Memoranda of Understanding and Financial Memoranda with the Departments as appropriate.
 - (d) Include a Remuneration Report for those members of the Royal Household whose remuneration is funded from The Queen's Civil List and the Grants-in-aid.
 - (e) Include an appendix giving details of The Queen's Civil List expenses (excluding salaries) consistent with the categories in paragraph 3.3.2 of the Report of the Royal Trustees dated 4 July 2000.