

**The Queen's Civil List**  
*Annual Report 2009*



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# INTRODUCTION

The ninth published annual accounts for the Civil List, which are for the year to 31st December 2009, 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](http://www.royal.gov.uk).

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.

## 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
- 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

## 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. His salary is reviewed annually and from 1 April 2009 he received a cost of living increase plus a performance related pay element up to a maximum of 4.5%.

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 2012. The salary shown below is his secondment cost (excluding VAT) 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 31st December</i>	<b>Salary</b>		<b>Pension Payments</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
The Rt Hon. The Earl Peel	<b>82</b>	80	<b>12</b>	12
The Rt Hon. Christopher Geidt	<b>144</b>	155	<b>22</b>	21
Sir Alan Reid	<b>179</b>	193	<b>32</b>	30
Air Vice-Marshal David Walker	<b>118</b>	111	<b>43</b>	39
Lt Col. Andrew Ford	<b>100</b>	95	<b>15</b>	14

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 is not included in the above table because he is paid by the Royal Collection Trust.

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

7 June 2010

# OPERATING AND FINANCIAL REVIEW

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 Queen individually undertook 284 engagements and was accompanied by The Duke of Edinburgh on a further 75 giving a total for the year of 359 engagements. Highlights of Her Majesty's schedule included:

- An inward State Visit by the President of the United Mexican States, Felipe Calderón, and Señora Zavala. A state banquet was held in honour of the President at Buckingham Palace. The State Visit coincided with the G20 Summit in London and Her Majesty hosted a Reception at Buckingham Palace for the Heads of Delegations attending the summit.
- An inward State Visit by President Pratibha Devisingh Patil of the Republic of India and Dr Devisingh Ramsingh Shekhawat. A State Banquet was held in honour of the President at Windsor Castle. The visit also included the official launch of the Commonwealth Games Queen's Baton Relay from Buckingham Palace in advance of the 2010 Commonwealth Games in Delhi.
- In December, The Queen and The Duke of Edinburgh visited Bermuda at the invitation of Premier Dr Ewart Brown, JP, MP. They then proceeded to Trinidad and Tobago for the Commonwealth Heads of Government Meeting which included a number of receptions along with the customary dinner for Commonwealth Leaders.
- In February Her Majesty hosted a Reception for the 2008 Great Britain Paralympics team.
- In July The Queen visited Scotland and addressed the Scottish Parliament. A reception was held at the Palace of Holyroodhouse for Members of the Scottish Parliament.
- In July Her Majesty hosted a Garden Party at Buckingham Palace to celebrate the centenary of British naval aviation.
- The Queen visited the Olympic Park construction site in East London in November.
- Other parts of the UK that The Queen visited included: Hampshire, Lancashire, Dorset, Inverness, Berwickshire and Tyne and Wear.
- There were 27 (2008: 32) Investitures at Buckingham Palace, the Palace of Holyroodhouse and Windsor Castle during which around 2,600 (2008: 2,600) people received honours. A Diplomatic Reception was held in November 2009 at Buckingham Palace; approximately 1,000 diplomats and British guests attended.
- The Queen also entertained around 36,500 people (2008: 50,000) at seven (2008: eight) Garden Parties held at Buckingham Palace and the Palace of Holyroodhouse.

## AUDIT COMMITTEE

The Audit Committee, which reports to the Lord Chamberlain's Committee, has overall responsibility for monitoring the effectiveness of the system of internal control, including financial, operational and compliance controls and risk management. It currently comprises four members: Nigel Turnbull (non-executive Chairman), Air Vice-Marshal David Walker (Master of the Household), Miss Leslie Ferrar (Treasurer, Household of The Prince of Wales and Duchess of Cornwall) and Sir David Tweedie (Chairman of the International Accounting Standards Board) who was appointed on 14 December 2009. In undertaking its responsibilities, the Audit Committee has considered reports from both internal and external auditors and management, and will make 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 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 on 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 encourage a motivated, adaptable and skilled workforce.

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 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.

## 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 Institute of Leadership and Management 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, lunch-time learning sessions and "Learning at Work" days, 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.

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 31.

## FUTURE DEVELOPMENTS

Developments planned for the next year include the following:

### **Information Systems**

In 2010 the ISM team will be looking 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.

### **Finance**

Following the implementation of a purchase order processing system last year, procurement guidance has been developed which will be introduced during 2010. The guidance covers aspects of procurement such as tendering, contract management and supply chain management. The introduction of this guidance will involve training sessions for both new and existing staff.

### **Personnel**

Implementation of the internet based recruitment system in January 2009 will ensure that the anticipated 4,000 plus applicants to the Royal Household in 2010 will have their application processed in a timely and efficient manner. The benefits of this new system will enable managers to make more effective recruitment decisions. By the end of 2010 all staff and managers will have access to the integrated Personnel and Payroll database through a self service facility.

Training plans for 2010 have been tailored to support the Household-wide Investors in People initiative and its commitment to Diversity and Equal Opportunities.

A new Level 3 in-house management development programme, accredited by the Chartered Management Institute, will be launched. E-learning programmes will be available for staff on a range of topics.

The Household-wide intranet is to be re-launched with a new “look and feel” in line with the style and format of the new Royal Household web site.

### **Information Security and Management**

During 2010, security risk assessment software will be used to identify and control operational risks, and in mid-year, the Household will test its compliance status against ISO27001 through external consultancy.

The Household continues to move towards electronic record keeping, and is exploring the use of workflow and electronic document management systems to achieve this.

A major review programme of all information processes within the Household is being undertaken to ensure they are efficient and can cope with the expected increase in demand during 2012. Senior management will use a Benefits Realisation Management process to prioritise any changes to information based activities in the Household.

**Sir Alan Reid**

Keeper of the Privy Purse

7 June 2010

# INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st December</i>		<b>2009</b>	2008
	Note	<b>£m</b>	£m
<b>Civil List funding received:</b>			
Annual Civil List		<b>7.9</b>	7.9
Draw-down from reserve		<b>6.5</b>	6.4
		<u><b>14.4</b></u>	<u>14.3</u>
		<u><b>14.4</b></u>	<u>14.3</u>
<b>Salaries</b>	3	<b>10.3</b>	9.9
<b>Other expenditure</b>			
Catering and hospitality		<b>1.2</b>	1.1
Executive and administrative		<b>1.5</b>	1.5
Housekeeping and furnishings		<b>0.6</b>	0.7
Ceremonial functions		<b>0.3</b>	0.4
Other		<b>0.3</b>	0.3
<b>Total net expenditure</b>	5	<u><b>14.2</b></u>	<u>13.9</u>
		<u><b>14.2</b></u>	<u>13.9</u>
<b>Net funding for fixed assets and working capital</b>		<u><b>0.2</b></u>	<u>0.4</u>
		<u><b>0.2</b></u>	<u>0.4</u>

Total net expenditure in 2009 includes approximately £0.5 million in respect of VAT (2008: £0.7 million).

The accounting policies are summarised on pages 17 and 18. 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 13, 14 and 15 respectively.

The results shown above relate to continuing activities.

# STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31st December</i>	Note	2009 £m	2008 £m
<b>Net funding for fixed assets and working capital</b>		<b>0.2</b>	0.4
Actuarial loss for the year		<b>(0.3)</b>	(0.1)
Total recognised (losses) / gains relating to the year		<u><b>(0.1)</b></u>	<u>0.3</u>

# BALANCE SHEET

<i>As at 31st December</i>	Note	2009 £m	2008 £m
<b>Fixed assets</b>	6	2.5	2.4
<b>Current assets</b>			
Stock	7	0.4	0.4
Debtors	8	1.0	1.1
Cash at bank and in hand		1.2	0.8
		2.6	2.3
<b>Creditors: amounts falling due within one year</b>	9	(2.2)	(1.9)
<b>Net current assets</b>		0.4	0.4
<b>Total assets less current liabilities excluding pension scheme liability</b>		2.9	2.8
<b>Pension scheme liability</b>	4	(1.2)	(1.0)
<b>Net assets</b>		1.7	1.8
<b>Reserves</b>	10	1.7	1.8

Represented by:

**Sir Alan Reid**

Keeper of the Privy Purse

7 June 2010

# CASH FLOW STATEMENT

<i>Year to 31st December</i>	<b>2009</b>	<b>2009</b>	2008	2008
	<b>£m</b>	<b>£m</b>	£m	£m
<b>Reconciliation of total net expenditure to Civil List funding</b>				
Total net expenditure		<b>(14.2)</b>		(13.9)
Depreciation	<b>0.5</b>		0.5	
Net excess of contributions over pension service costs	<b>(0.1)</b>		(0.1)	
Decrease in debtors	<b>0.1</b>		–	
Increase in creditors due within one year	<b>0.3</b>		0.2	
		<u><b>0.8</b></u>		<u>0.6</u>
<b>Net cash outflow from activities</b>		<b>(13.4)</b>		(13.3)
Capital expenditure – fixed assets acquired		<b>(0.6)</b>		(0.8)
<b>Net cash outflow before funding</b>		<b>(14.0)</b>		(14.1)
Civil List funding received		<b>14.4</b>		14.3
<b>Net increase in cash</b>		<u><b>0.4</b></u>		<u>0.2</u>
		<u><b>0.4</b></u>		<u>0.2</u>
<b>Reconciliation of cash balances</b>		<b>2009</b>		2008
		<b>£m</b>		£m
Cash at bank as at 1st January		<b>0.8</b>		0.6
Net increase in cash		<b>0.4</b>		0.2
<b>Cash at bank as at 31st December</b>		<u><b>1.2</b></u>		<u>0.8</u>
		<u><b>1.2</b></u>		<u>0.8</u>

## 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 last 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 1st 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.

	<b>2009</b>	2008
	<b>£m</b>	£m
Net expenditure for the year	<b>(14.2)</b>	(13.9)
Net increase in fixed assets	<b>(0.1)</b>	(0.3)
Net excess of contributions over pension service costs	<b>(0.1)</b>	(0.1)
Total cash received	<b>(14.4)</b>	(14.3)
	<b>=====</b>	<b>=====</b>
<b>Civil List reserve</b>	<b>2009</b>	2008
	<b>£m</b>	£m
Balance brought forward	<b>21.0</b>	26.0
Interest received	<b>0.7</b>	1.4
Draw-down	<b>(6.5)</b>	(6.4)
Balance carried forward	<b>15.2</b>	21.0
	<b>=====</b>	<b>=====</b>

The reserve is invested in money market deposits.

The draw-down for 2010 is expected to be £7.2 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 4 (pages 38 to 40) and have been prepared in accordance with applicable accounting standards, the Government Financial Reporting Manual (FRM) and under the historical cost accounting rules. The accounts have been prepared on an accruals basis.

Section 5 of the Civil List Act 1972 requires the Royal Trustees to report on Civil List expenditure at least once every ten years. The Royal Trustees Report for the period 2001-10 which will be published on 22 June 2010, will set out Civil List expenditure since the last report on 3 July 2000 and make 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.

### 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 3 pages 32 - 37.

## **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	
	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m
Catering and hospitality	1.6	1.7	1.2	1.1	2.8	2.8
Executive and administrative	3.9	3.7	1.5	1.5	5.4	5.2
Housekeeping and furnishings	3.1	2.9	0.6	0.7	3.7	3.6
Ceremonial functions	1.8	1.7	0.3	0.4	2.1	2.1
Other costs	(0.1)	(0.1)	0.3	0.3	0.2	0.2
Total	<u>10.3</u>	<u>9.9</u>	<u>3.9</u>	<u>4.0</u>	<u>14.2</u>	<u>13.9</u>

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 31st December was as set out below.

	2009	2008
Lord Chamberlain	1	1
Private Secretary's Office	46	47
Privy Purse and Treasurer's Office	30	26
Master of the Household's Department	166	165
Lord Chamberlain's Office	57	59
	<u>300</u>	<u>298</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

	2009	2008
	£m	£m
Salaries	8.0	7.6
Temporary staff	0.3	0.3
National Insurance	0.7	0.7
Pension contributions	1.3	1.3
	<u>10.3</u>	<u>9.9</u>

The above payroll costs are stated net of housing abatements and charges (in respect of the provision of residential accommodation) and 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 3 on pages 32 - 37.

## 5. TOTAL NET EXPENDITURE

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

	2009	2008
	£m	£m
Depreciation	0.5	0.5
Rentals under operating leases	0.1	0.1
Service charges and recharges	(3.3)	(3.4)

The remuneration of the Civil List Auditor was £nil in 2009 (2008: £nil). There were no additional fees paid to the Auditor during 2009 or 2008.

## 6. FIXED ASSETS

	Information Systems	Furnishings & Equipment	Horses & Liveries	Assets in course of construction	Total
	£m	£m	£m	£m	£m
<b>Cost</b>					
At 1st January 2009	1.1	2.2	0.7	0.3	4.3
Additions	0.2	0.1	–	0.3	0.6
Transfers	0.1	0.2	–	(0.3)	–
At 31st December 2009	<b>1.4</b>	<b>2.5</b>	<b>0.7</b>	<b>0.3</b>	<b>4.9</b>
<b>Depreciation</b>					
At 1st January 2009	0.7	0.9	0.3	–	1.9
Charge for the year	0.3	0.2	–	–	0.5
At 31st December 2009	<b>1.0</b>	<b>1.1</b>	<b>0.3</b>	<b>–</b>	<b>2.4</b>
<b>Net book value</b>					
At 31st December 2009	<b>0.4</b>	<b>1.4</b>	<b>0.4</b>	<b>0.3</b>	<b>2.5</b>
At 1st January 2009	0.4	1.3	0.4	0.3	2.4

## 7. STOCK

	2009	2008
	£m	£m
Wine and spirits	0.4	0.4
	<b>0.4</b>	<b>0.4</b>

Wine is held in stock to age.

## 8. DEBTORS

	2009	2008
	£m	£m
Recharges	0.5	0.6
Other debtors	0.4	0.4
Prepayments	0.1	0.1
	<b>1.0</b>	<b>1.1</b>

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

## 9. CREDITORS: amounts falling due within one year

	2009	2008
	£m	£m
Amounts due to suppliers	0.3	0.3
PAYE, National Insurance and Pension contributions	0.9	0.9
Accruals	1.0	0.7
	<u>2.2</u>	<u>1.9</u>

## 10. RESERVES

	Fixed asset reserve	Stock reserve	Pension scheme deficit	Total reserves
	£m	£m	£m	£m
As at 1st January 2009	2.4	0.4	(1.0)	1.8
Actuarial loss on pension scheme	–	–	(0.3)	(0.3)
Movement in year	0.1	–	0.1	0.2
As at 31st December 2009	<u>2.5</u>	<u>0.4</u>	<u>(1.2)</u>	<u>1.7</u>

## 11. COMMITMENTS

Operating lease commitments are as follows:

	2009	2008
	£m	£m
Expiring between 2 and 5 years	<u>0.4</u>	<u>–</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.

	2009 £m	2008 £m	2009 £m	2008 £m
	<b>Balance due from:</b>		<b>Recoveries from:</b>	
Royal Collection Trust	0.1	0.1	1.1	1.1
Property Services Grant-in-aid	–	–	0.5	0.6
Royal Travel Grant-in-aid	–	–	0.1	0.1
Privy Purse	–	0.1	0.3	0.3
Other Royal Households	0.1	0.2	0.5	0.6
	<b>Balance due to:</b>		<b>Charged by:</b>	
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 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.

# 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, 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 a Financial Memorandum relating to the Civil List.

## **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 controls 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 risk as far as possible.

The Audit Committee for the Civil List 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.

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 four 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 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 is facilitated through regular meetings with HM Treasury.

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

- Enhanced information security arrangements following the introduction of document secure marking software and the introduction of an ISO 27001 reporting tool.
- Implementation of a new Visitor Management Access system which has enhanced physical security arrangements for visitors to the Occupied Royal Palaces.
- The establishment of a Procurement Strategy Group which is developing standard purchasing guidance for management to help secure best value from expenditure and ensure that best practice is followed with regard to ethical and sustainable procurement.
- The development of an Energy Management Strategy which aims to minimise energy consumption, reduce CO<sub>2</sub> and other greenhouse gas emissions and limit the use of finite fossil fuels. An Energy Management Committee has been established to monitor implementation of the strategy and to set targets for reduction in consumption.
- The Audit Committee has been strengthened by the appointment of a fourth member from 14 December 2009: Sir David Tweedie, Chairman of the International Accounting Standards Board.

### **Review of effectiveness**

As Keeper of the Privy Purse, I have responsibility for ensuring the effectiveness of the system of internal control. My 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

7 June 2010

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

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

- the administration of the 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.
- 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 Civil List are used economically, efficiently and effectively to secure best value for money, in accordance with propriety and regularity;
- staff paid from the Civil List take financial considerations fully into account at all stages in framing, reaching and executing decisions in so far as the 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 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 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 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  
7 June 2010

# REPORT OF THE AUDITOR TO THE CHANCELLOR OF THE EXCHEQUER

I have audited the accounts on pages 12 to 23 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 17 and 18.

## **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 control on pages 24 to 26 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 31st December 2009 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

7 June 2010

# APPENDIX 1: ADDITIONAL NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

The segmental analysis on page 19 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

	2009	2008
	£m	£m
Garden parties	0.7	0.6
Food and kitchens	0.5	0.5
	<u>1.2</u>	<u>1.1</u>

## Executive and administrative

	2009	2008
	£m	£m
Recruitment and training	0.3	0.3
Depreciation (net of recharges)	0.4	0.3
Stationery, printing and binding	0.3	0.2
Computers and information systems	0.2	0.4
Legal advice and other professional services	0.2	0.2
Travel	0.1	0.1
	<u>1.5</u>	<u>1.5</u>

## Housekeeping and furnishings

	2009	2008
	£m	£m
Housekeeping	0.3	0.3
Furnishings and equipment	0.3	0.4
	<u>0.6</u>	<u>0.7</u>

## Ceremonial functions

	2009	2008
	£m	£m
Carriage processions	0.1	0.1
Uniforms and protective clothing	0.1	0.2
Motor vehicles	0.1	0.1
	<u>0.3</u>	<u>0.4</u>

## APPENDIX 2: FIVE YEAR INFORMATION

### INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st December</i>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Civil List funding received:</b>					
Annual Civil List	7.9	7.9	7.9	7.9	7.9
Draw-down from reserve	6.5	6.4	4.9	4.1	3.4
	<u>14.4</u>	<u>14.3</u>	<u>12.8</u>	<u>12.0</u>	<u>11.3</u>
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>
<b>Salaries</b>	10.3	9.9	9.1	8.8	8.3
<b>Other expenditure</b>					
Catering and hospitality	1.2	1.1	1.2	1.1	1.0
Executive and administrative	1.5	1.5	1.2	1.0	0.9
Housekeeping and furnishings	0.6	0.7	0.6	0.5	0.5
Ceremonial functions	0.3	0.4	0.2	0.3	0.3
Other costs	0.3	0.3	0.4	0.5	0.3
<b>Total net expenditure</b>	<u>14.2</u>	<u>13.9</u>	<u>12.7</u>	<u>12.2</u>	<u>11.3</u>
<b>Net surplus/(deficit) taken to/(from) reserves</b>	<u>0.2</u>	<u>0.4</u>	<u>0.1</u>	<u>(0.2)</u>	<u>-</u>
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

### PERFORMANCE INDICATORS AND OPERATING RATIOS

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Increase in net Civil List expenditure</b>	2.2%	9.4%	4.1%	8.0%	6.6%
<b>Suppliers paid within:</b>					
• 30 days	80%	71%	79%	81%	89%
• 40 days	88%	83%	87%	89%	93%
• 50 days	91%	89%	92%	92%	96%
<b>Staff Numbers</b>	300	298	296	284	278

## APPENDIX 3: PENSION ARRANGEMENTS

Until 31st 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 1st 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 1st 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 (2008: 21.1%), reflecting a valuation by the Government Actuary's Department. The contribution rates reflect the cost of pension benefits as they are carried 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 31st March 2002 and are not members of the Royal Household Pension Scheme are 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 31st 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 for the Civil List are 24.2% from 1st 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). The benefit accrual rate was reduced from 1/60 to 1/70 for each year of service from 1st April 2007. It is assumed that these measures will be sufficient to eliminate the Civil List's share of the past service deficit of £1.5 million.

The valuation used for this disclosure has been based on the most recent actuarial review of the Royal Households Group Pension Scheme as at 31st 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 31st December 2009.

Scheme assets in respect of the Civil List section of the scheme are stated at their market values at 31st December 2009.

Actuarial assumptions adopted as at 31st December (% pa)	<b>2009</b>	2008	2007	2006	2005
Discount rate	<b>5.7</b>	6.0	5.8	5.1	4.7
Rate of general long-term increase in salaries	<b>4.6</b>	4.5	4.9	4.6	4.4
Rate of price inflation	<b>3.6</b>	3.0	3.4	3.1	2.9
Rate of increase to pensions in payment (pre-1993 service)	<b>5.0</b>	5.0	5.0	5.0	5.0
Rate of increase to pensions in payment (post-1993 service)	<b>3.4</b>	3.0	3.4	3.1	2.7

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 that a member currently aged 65 will live on average for a further 21.9 years (2008: 21.7 years) if they are male and for a further 23.9 years (2008: 23.7 years) if they are female. For a member who retires in 2029 at age 65 the assumptions are that they will live on average for a further 24.3 years (2008: 23.6 years) after retirement if they are male and for a further 26.2 years (2008: 24.9 years) after retirement if they are female.

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 31st December (%)	<b>2009</b>	2008	2007	2006	2005
Average annual expected long-term rate of return/ total fair value of assets	<b>7.3</b>	6.8	6.9	6.9	6.4

Value as at 31st December

	<b>2009</b>	2008	2007	2006	2005
	<b>£m</b>	£m	£m	£m	£m
Fair value of scheme assets	<b>3.0</b>	2.3	2.4	1.9	1.6
Present value of funded defined benefit obligations	<b>(4.2)</b>	(3.3)	(3.4)	(3.1)	(2.9)
Net pension liability recognised on the balance sheet	<b>(1.2)</b>	(1.0)	(1.0)	(1.2)	(1.3)

There is therefore a net pension liability of £1.2 million as at 31st December 2009 (2008: £1.0 million). The amount of this net pension liability has a consequential effect on reserves.

Analysis of amounts charged against income and expenditure

Year to 31st December	<b>2009</b>	2008
	<b>£m</b>	£m
Current service cost	<b>0.2</b>	0.3
Expected return on scheme assets	<b>(0.2)</b>	(0.2)
Interest on pension scheme liabilities	<b>0.2</b>	0.2
Expense recognised in income and expenditure Account	<b>0.2</b>	0.3

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

	<b>2009</b>	2008
	<b>£m</b>	£m
Defined benefit obligations as at 1st January	<b>3.3</b>	3.4
Movement in year:		
Current service cost	<b>0.2</b>	0.3
Interest cost	<b>0.2</b>	0.2
Actuarial gains / (losses) on scheme liabilities	<b>0.5</b>	(0.6)
Defined benefit obligations as at 31st December	<b><u>4.2</u></b>	<u>3.3</u>

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

	<b>2009</b>	2008
	<b>£m</b>	£m
Fair value of scheme assets as at 1st January	<b>2.3</b>	2.4
Movement in year:		
Expected return on scheme assets	<b>0.2</b>	0.2
Contributions by the employer	<b>0.3</b>	0.4
Actuarial gains / (losses) on scheme assets	<b>0.2</b>	(0.7)
Fair value of scheme assets as at 31st December	<b><u>3.0</u></b>	<u>2.3</u>

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

	<b>2009</b>	2008
	<b>£m</b>	£m
Deficit as at 1st January	<b>(1.0)</b>	(1.0)
Movement in year:		
Current service cost	<b>(0.2)</b>	(0.3)
Contributions	<b>0.3</b>	0.4
Actuarial losses	<b>(0.3)</b>	(0.1)
Deficit as at 31st December	<b><u>(1.2)</u></b>	<u>(1.0)</u>

The actual return on scheme assets comprises:

	<b>2009</b>	2008
	<b>£m</b>	£m
Expected return on scheme assets	<b>0.2</b>	0.2
Actuarial gains/(losses) on scheme assets	<b>0.2</b>	(0.7)
Actual return on scheme assets	<b>0.4</b>	(0.5)

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

	<b>2009</b>	2008
	<b>£m</b>	£m
Total actuarial losses	<b>(0.3)</b>	(0.1)
Total losses in STRGL	<b>(0.3)</b>	(0.1)
Cumulative amount of gains recognised in STRGL	<b>0.1</b>	0.4

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

	<b>2009</b>	2008	2007	2006	2005
	<b>£m</b>	£m	£m	£m	£m
Fair value of scheme assets	<b>3.0</b>	2.3	2.4	1.9	1.6
Defined benefit obligations	<b>(4.2)</b>	(3.3)	(3.4)	(3.1)	(2.9)
Deficit in scheme	<b>(1.2)</b>	(1.0)	(1.0)	(1.2)	(1.3)

The history of experience gains and losses is as follows:

	<b>2009</b>	2008	2007	2006	2005
	<b>£m</b>	£m	£m	£m	£m
Experience gains/(losses) on scheme assets	<b>0.2</b>	(0.7)	–	–	0.2
Experience (losses) / gains on scheme liabilities	<b>(0.3)</b>	–	(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 31st December	2010
	£m
Current service cost	0.3
Expected return on scheme assets	(0.2)
Interest on pension scheme liabilities	0.2
Total estimated pension expense	<u>0.3</u>

#### **Royal Household Defined Contribution (Stakeholder) Pension Scheme**

Full-time permanent employees joining from 1st April 2002 are entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme (“the Stakeholder Scheme”), which is a stakeholder arrangement 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 4: 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

## **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.<sup>1</sup>
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;

<sup>1</sup> Contained in the Statutory Instrument SI 2008 No. 410 “The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008” which came into force on 6 April 2008. The provisions of Schedule 4 to the Companies Act 1985 remain in force for accounting periods beginning before that date.

# SCHEDULE 1: ACCOUNTING AND DISCLOSURE REQUIREMENTS

- (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 remunerations 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.