

SOVEREIGN GRANT BILL

1. The Government needs to establish a new way of supporting Her Majesty The Queen in Her official duties. The current arrangements, dating back to 1972, are opaque and unsustainable.
2. Under the current system grant amounts are set in absolute terms in ten year tranches, requiring periodic parliamentary intervention and hazardous inflation assumptions. This will continue to pose a problem every decade, unless the system is reformed. It would be particularly problematic to continue with it now, as the system would necessitate what would look like a big increase in grant over the next few years. This is simply not an option when other departments are cutting by so much.
3. Such a perception would also be undesirable for Her Majesty, who has been frugal with public money in recent years. In real terms, royal expenditure on the equivalent of the Sovereign Grant has fallen by over 50% in the last 20 years.
4. The bill takes the opportunity to put support for The Queen on a regular footing. The grant will be voted in Estimates, audited by the public auditor and scrutinised by the NAO and PAC.
5. The Royal Household has indicated The Queen's support for a simplified process.

A new sovereign grant

6. Normally the Sovereign Grant for a given year will be equal to a prescribed percentage - initially 15% - of the Crown Estate's profit in the financial year two years prior. The percentage was chosen in the expectation that it will deliver similar sums in real terms to the amount the Crown has received in recent years.
7. To ensure the Grant remains at an appropriate level in the future, there are powerful control mechanisms.
8. Linking funding to Crown Estate revenues in this way provides semi-automatic incremental growth in the grant, reducing the need for parliamentary intervention.
9. Until now royal financial arrangements have not been subject to any significant parliamentary scrutiny. The Government wants to take this opportunity to modernise accountability and succession arrangements as well.
10. Detail on the provisions of the bill is in annex A.

The numbers and historical comparisons

11. The Spending Review 2010 froze grant support for the Royal Household at £30million in 2011-12 and 2012-13. 2012 is The Queen's Diamond Jubilee. To commemorate this, there will be a number of official visits and events. And so, there will be a one-off additional provision of £1 million in 2012-13.
12. The new method for calculating the Sovereign Grant will begin in 2013-14.
13. A perceived increase is an unavoidable result of coming off the old system. (Whereby grants were set in cash terms in ten year tranches, designed to be too generous at the beginning of the period and too meagre at the end.) If we were to continue with the current arrangements, a far greater apparent increase would be required in the next few years.
14. The exact levels of grant will depend on the net revenues of the Crown Estate. However, based on reasonable assumptions, in real terms the grant is likely to compare favourably to recent years.
15. The grant levels envisaged in the early years of the new system are, in real terms, below what the Royal Household spent in every one of the last twenty years. The table below shows the level of expenditure on the equivalent of the Sovereign Grant converted to 2010-11 prices.

Royal Household expenditure in real terms (on equivalent of Sovereign Grant)							
1991-92	77.3	1996-97	59.6	2001-02	35.8	2006-07	36.4
1992-93	70.4	1997-98	54.8	2002-03	37.4	2007-08	37.4
1993-94	67.5	1998-99	46.8	2003-04	36.5	2008-09	38.3
1994-95	66.3	1999-00	39.8	2004-05	35.1	2009-10	34.6
1995-96	58.8	2000-01	34.4	2005-06	35.9	2010-11	32.1

Cost of Royal yacht, decommissioned in 1997, not included

£ million, 2010-11 prices

16. It is true that the Crown Estate anticipate increased profits from renewables in coming years. But, this is starting from a very low base. In 2011 total revenue was £306.8m, of which £3.5m (1.1%) came from renewables. The expectation is that this will start to translate into larger profits towards the very end of this decade, and that steep increases are unlikely before the early 2020s.
17. This document is being placed in the Libraries of both Houses.

Sovereign Grant Bill

The Sovereign Grant Bill provides for:

- New consolidated Sovereign Grant payment to support the Queen in Her official duties;
- Full parliamentary scrutiny of grant expenditure;
- New arrangements when Duchy of Cornwall is vested in the monarch; and
- Grant arrangements to continue on accession of a new monarch.

A new grant system

At present, funding for the monarch's official duties comes from three different sources:

- Civil List from Exchequer;
- Grant-in-aid for royal travel from Department for Transport; and
- Grant-in-aid for the maintenance of royal palaces and for communications and information from Department for Culture, Media and Sport.

The Bill provides for a new system, the Sovereign Grant, which will combine all three sources of funding into one payment from the Treasury vote.

Link to the Crown Estate

The Crown Estate is the property of the sovereign. But, on accession, every monarch since George III (in 1760) has agreed to surrender the surplus revenues of the Crown Estate to the Exchequer, in return for annual grant support.

The Grant will not hypothecate Crown Estate revenue; that will continue to go to the Exchequer. But it does provide an appropriate benchmark.

Deriving the amount of the Sovereign Grant

Normally the Sovereign Grant for a given year will be equal to a prescribed percentage - initially 15% - of the Crown Estate's surplus revenue in the financial year two years prior. The percentage was chosen in the expectation that it will deliver similar sums in real terms to the amount the Crown receives now.

To ensure the Grant remains at an appropriate level, the amount will be subject to following adjustment mechanisms:

- A capped reserve fund managed by the Royal Trustees. If the Grant proves greater than required in a given year, the surplus will be paid into the reserve, which may be drawn down in future years as required. The Trustees must not allow reserve to exceed about

half of Sovereign Grant in that year. If the Reserve is approaching this level, the Trustees may specify a lower grant amount than would otherwise have been implied by the formula;

- A cash terms floor. The grant amount is not normally allowed to fall in cash terms on the amount in the previous year. That is unless the Trustees have specified a lesser amount to manage the reserve in the way described above; and
- Regular reviews by the Royal Trustees. The Trustees will be bound to consider the suitability of the percentage at regular intervals and to propose a new percentage where necessary. The Treasury would present an order to implement the change. Affirmative resolution would be required for an increase.

The Royal Trustees are the Prime Minister, the Chancellor of the Exchequer and the Keeper of the Privy Purse.

Accountability

The Bill brings the audit arrangements for the Royal Household into line with those for other government departments.

Sovereign Grant expenditure will be subject to audit by the Comptroller & Auditor General from 2012. The Grant accounts will be laid before the House and will be open to full parliamentary scrutiny, including by the Committee of Public Accounts.

Duchy of Cornwall

The Bill ensures that the heir to the throne, whether or not (s)he is also the Duke of Cornwall, receives the equivalent of full revenues of the Duchy if (s)he is aged 18 or over. If the heir is a minor, (s)he receives the equivalent of only 10% of the Duchy revenues. So all heirs, whether Duke of Cornwall or not, are treated fairly.

Accession of a new monarch

Powers in previous civil list legislation have been set to expire six months after end of a monarch's reign. In this time Parliament must agree provision for the successor sovereign.

Adopting the same approach for this Bill is not desirable. It is an arduous task in the period immediately following the demise of the sovereign, and presents additional concerns in light of recent employment legislation. This Bill therefore allows future incoming monarchs to extend these provisions for their reigns by Order in Council.