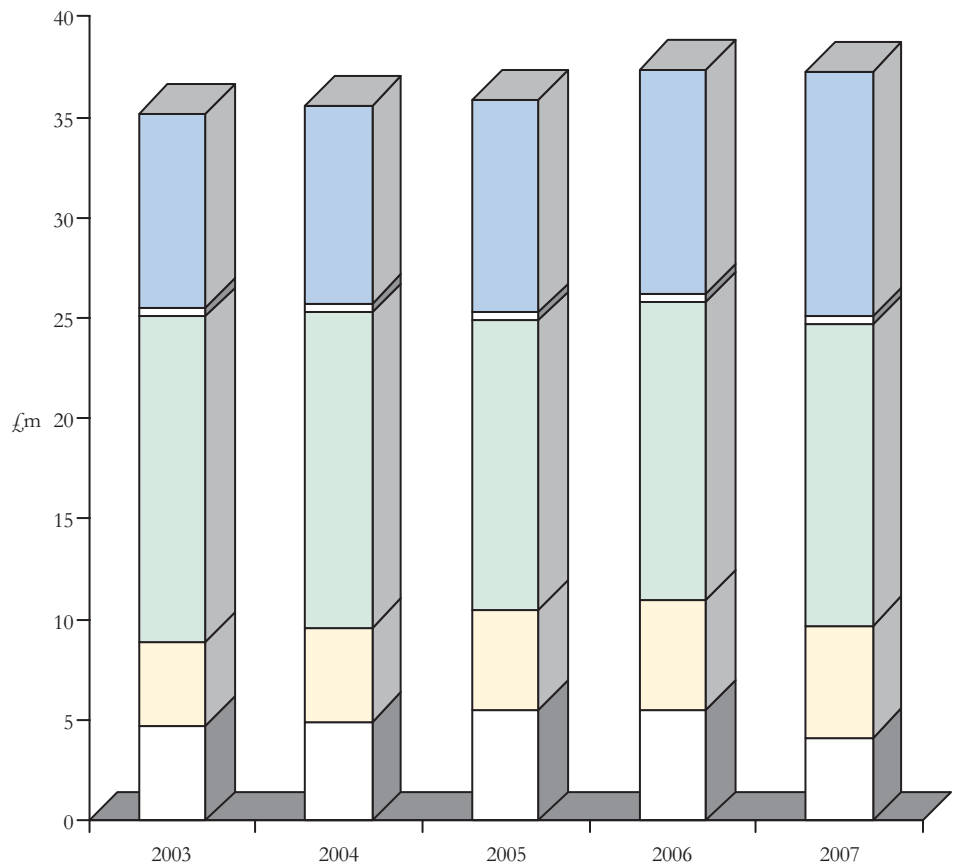


ROYAL PUBLIC FINANCES

Five Years to March 2007



KEY¹



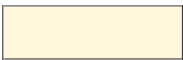
The Queen's Civil List



Parliamentary Annuities



Grant-in-aid for Property Services and Communications and Information



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



Government Departments and the Crown Estate

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

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FINANCIAL SUMMARY

<i>Year to 31st March</i>	2007 £m	2006 £m
The Queen's Civil List ¹	12.2	11.2
Parliamentary Annuities	0.4	0.4
Grants-in-aid	20.6	20.3
Expenditure met directly by Government Departments and the Crown Estate	4.1	5.5
	37.3	37.4

Head of State expenditure is met from public funds in exchange for the surrender by The Queen of the revenue from the Crown Estate. Head of State expenditure for 2006-07 has decreased by 0.3% compared to the previous year (a decrease of 2.7% in real terms). The decrease mainly arises due to the completion of the Fire Protection Project at the Palace of Holyrood House in addition to fewer inward State Visits during the year partially offset by increases due to Freedom of Information. Since 2001 it has increased by 10.4% (a reduction of 7.0% in real terms).

Head of State expenditure has reduced from £95.6 million (expressed in current pounds) in 1991-92, a reduction of 61%.

Head of State expenditure excludes the costs of security (mainly provided by the Police and Army) and of Armed Services ceremonial.

The above figures for The Queen's Civil List and the Grants-in-aid are based on audited figures, which accounts are included in this report. The other figures are not audited.

A chart showing the Head of State expenditure for the past five years is set out on page 1.

¹ Figures are for calendar years 2006 and 2005

THE QUEEN'S CIVIL LIST

The Civil List is the funding provided by Parliament, on a 10 yearly cycle, to meet the central staff costs and running expenses of Her Majesty's official Household.

The detailed annual report showing how the Civil List has been spent during 2006 is shown in pages 9 to 44 of this report.

PARLIAMENTARY ANNUITIES

The Parliamentary Annuity was paid to The Duke of Edinburgh. The annuity was primarily to meet official expenses incurred in carrying out his public duties. Parliamentary Annuities paid to other Members of the Royal Family are not a cost to the taxpayer as they are reimbursed by The Queen from private sources.

GRANTS-IN-AID

<i>Year to 31st March</i>	2007	2006
	£m	£m
Property Services	14.5	14.3
Communications and Information	0.5	0.5
Royal Travel	5.6	5.5
Total	<u>20.6</u>	<u>20.3</u>

Grants-in-aid are provided to the Royal Household annually by the Department for Culture, Media and Sport for Property Services and Communications and Information, and by the Department for Transport for Royal Travel.

Property Services

The Grant-in-aid is to meet the cost of property maintenance, and of utilities, telephones and related services at the Occupied Royal Palaces in England.

Communications and Information

The Grant-in-aid is to meet the cost of communication and information services in connection with official royal functions and engagements in England and Scotland.

Royal Travel

The Grant-in-aid is to meet the cost of official royal travel by air and rail.

Detailed accounts showing how the Grants-in-aid have been spent during 2006-07 are shown on pages 45 and 107 of this report.

EXPENDITURE MET DIRECTLY BY GOVERNMENT
DEPARTMENTS AND THE CROWN ESTATE

<i>Year to 31st March</i>	2007	2006
	£m	£m
Administration of honours	0.5	0.5
Equerries, orderlies and other support	0.9	0.9
Maintenance of the Palace of Holyroodhouse	1.3	1.9
State Visits to and by The Queen and liaison with the Diplomatic Corps	0.6	1.1
Ceremonial occasions	0.2	0.4
Maintenance of the Home Park at Windsor Castle	0.5	0.6
Other	0.1	0.1
Total ¹	4.1	5.5

Equerries and orderlies are seconded from the Armed Services to assist The Queen and other Members of the Royal Family in undertaking their official duties. The Palace of Holyroodhouse is The Queen's official residence in Scotland. During 2006-07 The Queen made a Realm visit to Australia to open the Commonwealth Games in Melbourne followed by a State Visit to Singapore, and a three-state visit to Lithuania, Latvia and Estonia in the Autumn. There were also inward State Visits by the President of Brazil in March 2006 and the President of Ghana in March 2007.

COSTS 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, in particular reimbursing Parliamentary Annuities and meeting expenses of other Members of the Royal Family. Accounts for the Duchy of Lancaster are published and laid before 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.

¹ Figures not audited

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 the Royal Collection in royal palaces during 2006-07. An annual report is published by the Royal Collection Trust, copies of which are available on-line at www.royalcollection.org.uk.

HISTORICAL AND LEGISLATIVE

Before 1760 the expenses incurred by the Sovereign and Royal Household to enable the Monarch to fulfil his or her official duties were met from the income from the Crown Estate and from other hereditary revenues, supplemented increasingly by customs and excise duties and general taxation voted by Parliament. Under the new arrangement the income from the Crown Estate and other hereditary revenues was surrendered to Parliament by the Sovereign for the duration of the reign in return for the payment of a fixed annual Civil List. Income from the Crown Estate for the year to 31st March 2006 surrendered by The Queen to the Exchequer amounted to £188 million (£186 million for 2004-05).

The annual amount of the Civil List was set for Her Majesty's reign in the 1952 Civil List Act. However, as a result of high inflation at the time, the 1952 Act was amended in 1972 to require the Royal Trustees (the Prime Minister, the Chancellor of the Exchequer and the Keeper of the Privy Purse) to review the adequacy of the amount of the Civil List periodically and to report to the Treasury at least every ten years whether the amount of the Civil List remains adequate or should be increased.

In order to allow for inflation, the 1972 Act provides for the amount of the Civil List to be higher than expenditure initially so that annual surpluses can be accumulated to cover deficits in later years or for carry forward into a subsequent ten year period. If there is a surplus carried forward, the Royal Trustees will take it into account when making their recommendation for the annual amount of the Civil List for the next ten years.

During the last ten year period to 31st December 2000, annual Civil List expenditure reached £6.5 million, still short of the annual amount of £7.9 million set in 1990, and a reserve of £35 million was established. In view of this, and in order to draw down the reserve, the annual Civil List amount was left at £7.9 million for a further ten years and annual expenditure of approximately £2 million was transferred to the Civil List from the votes of Government Departments or from the Consolidated Fund.

COSTS INCURRED IN CONNECTION WITH THE MONARCHY FUNDED BY PARLIAMENT

The Queen carries out the duties of Head of State. These 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).

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

The Civil List
Annual Report 2006

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INTRODUCTION

The Civil List is the funding provided by Parliament to enable The Queen to undertake her duties as Head of State; it meets the staff costs and running expenses of Her Majesty's official Household.

The Civil List is provided under the terms of the Civil List Acts 1952, 1972 and 1975 in return for the surrender by The Queen of the income from the Crown Estate and other hereditary revenues.

Civil List expenditure and the sums needed to meet it are subject to review by the Royal Trustees (the Prime Minister, the Chancellor of the Exchequer and the Keeper of the Privy Purse), who are required to submit reports to the Treasury, which are then laid before Parliament, at least once every ten years. The last Royal Trustees Report was published on 4th July 2000 (TSO ref.: ISBN 0105568368).

Ten yearly, rather than annual, reports to Parliament were considered more consistent with the honour and dignity of the Crown by the 1971 Select Committee on the Civil List. While ten yearly Royal Trustees Reports, which form the basis for Parliament's consideration of the amount of the Civil List for the next ten years, remain appropriate and are the legislative requirement, the Royal Household believes that it may be helpful, and in line with its commitment to transparency and accountability, if annual accounts (rather than a full Royal Trustees Report) are published to show how the Civil List is being spent on a year by year basis.

The sixth published annual accounts for the Civil List, which are for the year to 31st December 2006, are set out in this report. The accounts are prepared in a form directed by the Treasury Accountant, in accordance with Section 9 of the Civil List Audit Act 1816.

SUMMARY

Civil List net expenditure for 2006 amounted to £12.2 million (2005 £11.3 million). The increase in net expenditure is analysed as follows:

	£m
Net expenditure in 2005 (restated)	11.3
Inflation and pay increases	0.4
Freedom of Information	0.2
Garden Parties	0.1
Pension service costs	0.1
Other	0.1
Net expenditure in 2006	<u>12.2</u>

The Civil List meets the staff costs and running expenses of The Queen's official Household. Of the £12.2 million, £8.8 million (72%) is the salary cost (including on-costs) of the 311 full-time equivalent staff borne by the Civil List.

Expenditure from the Civil List, in addition to enabling The Queen to undertake Her Majesty's constitutional duties as Head of State, helped support The Queen in fulfilling a programme of tours, garden parties, receptions and official entertaining.

Visits overseas by The Queen during the year have included a Realm visit to Australia to open the Commonwealth Games in Melbourne followed by a State Visit to Singapore, and a three-state visit to Lithuania, Latvia and Estonia in the Autumn.

In Her 80th birthday year, The Queen also undertook 380 engagements to cities and towns in England, Scotland, Wales and Northern Ireland, entertained around 30,000 people at four Garden Parties (there were also five special Garden Parties including the Children's Party in the Palace which celebrated Children's Literature, The Duke of Edinburgh's Award 50th anniversary and The Prince's Trust 30th anniversary).

OPERATING AND FINANCIAL REVIEW

The Queen's programme for 2006 was set within what turned out to be a very busy birthday year. Highlights of The Queen's programme have included:

- A number of set-piece events to celebrate The Queen's 80th birthday in April. These included:
 - a visit to the BBC, a high-profile walkabout in Windsor and a Reception following the Service of Thanksgiving at Windsor Castle;
 - a lunch at Buckingham Palace for those who shared The Queen's birthday, and a Reception to mark the importance of Service beyond the age of Sixty;
 - a Children's Party in the Palace in June to use The Queen's birthday to recognise the success of Children's Literature in Britain; this was attended by 4,500 people and involved a live TV broadcast watched by a further 8 million; and also
 - in the summer there was a service at St Paul's and a Lunch at the Mansion House.
- A Realm visit to Australia to open the Commonwealth Games in Melbourne followed by a State Visit to Singapore.
- A three-state visit to Lithuania, Latvia and Estonia in the Autumn.
- A State Visit by the President of Brazil.
- Opening the new Welsh Assembly building in Cardiff.
- Visits to Staffordshire, Surrey, Lancashire, Oxfordshire, Cornwall, the Holyrood week in Scotland, Northern Ireland, West Sussex and Bedfordshire.
- Four Garden Parties were held at Buckingham Palace and the Palace of Holyroodhouse and were attended by approximately 30,000 people. In addition to these Garden Parties there were five additional Garden Parties.
- 24 Investitures were held at Buckingham Palace and the Palace of Holyroodhouse during which around 2,500 people received honours. A Diplomatic Reception was organised and delivered in November at Buckingham Palace, approximately 1,000 diplomats and British guests attended.

Brief descriptions of the Lord Chamberlain's and the Departments' responsibilities paid for from the Civil List are set out below.

Lord Chamberlain

The Lord Chamberlain is responsible for overseeing the conduct of the business of the Household as a whole.

Private Secretary's Office

The Private Secretary's Office is responsible for informing and advising The Queen on constitutional, governmental and political matters, organising The Queen's domestic and overseas official programme, organising and co-ordinating travel arrangements, co-ordinating and initiating research to support engagements by Members of the Royal Family and responding to correspondence from members of the public.

The Press Office, which reports to the Private Secretary, briefs the national, international, regional and electronic media on the official role of The Queen and issues relating to the Royal Family. It arranges media facilities for official Royal visits in the United Kingdom and overseas, and for Royal involvement in State occasions. In addition, the Press Office responds to media enquiries and telephone inquiries from members of the public. It prepares and disseminates information about the Monarchy and the Royal family through press releases, briefing notes and daily updates on the Royal web site www.royal.gov.org.uk.

Privy Purse and Treasurer's Office

The responsibilities of the Privy Purse and Treasurer's Office paid for from the Civil List include budgetary control, the preparation of accounts and accounts processing. In addition, it is responsible for the provision of Payroll, Personnel, Information Systems Management and Audit Services to the rest of the Royal Household. There are also responsibilities in respect of the Privy Purse, which are maintained separately from the Civil List aspects.

The Treasury Finance function continues to develop following the successful merging of the finance function with that for the Grant-in-aid in 2005 with common processes and procedures now being used by the new team.

Key Personnel achievements in the year included the implementation of the discrimination legislation and changes arising from the Pension Act 2005 and the introduction of a leadership and development programme.

Continued development of IT systems during the year included the launch of the Royal Household's improved intranet accompanied by a 30% increase in user numbers and the enhancement of Business Continuity and network infrastructure.

Master of the Household's Department

The Master of the Household's Department, in association with the Private Secretary's Office and the Lord Chamberlain's Office, is responsible for the arrangements for The Queen's official entertaining both at home and overseas. This involves the detailed planning for and delivery of all receptions, lunches, dinners and other events held in all the Royal Residences and on overseas visits.

In addition to supporting the busy programmes of The Queen and other Members of the Royal Family, 2006 was characterised by the special events in celebration of The Queen's 80th birthday.

The Master of the Household's Department also includes the craftsmen responsible for maintaining and restoring the furniture and fabric in use within the Royal Residences.

Lord Chamberlain's Office

The Lord Chamberlain's Office is responsible for all the ceremonial aspects of engagements which take place in and around The Queen's official residences, including State Visits, the State Opening of Parliament, Royal Weddings and Funerals, Investitures and Garden Parties. These events are organised in close association with the Master of the Household's Department. Subordinated to the Lord Chamberlain's Office is the Royal Mews, the Central Chancery of the Orders of Knighthood and the Marshal of the Diplomatic Corps. The Honourable Corps of Gentlemen and Arms, the Yeomen of the Guard, the Ecclesiastical Household, the Medical Household and Gentlemen Ushers are administered and tasked by the Lord Chamberlain's Office, as required.

There are on average 26 carriage horses stabled in the Royal Mews at Buckingham Palace. State Carriages are also held there. The main carriage processions are for the State Opening of Parliament, State Visits, Trooping the Colour and Royal Ascot. Carriages are also used for the presentation of credentials by Ambassadors and High Commissioners. The vehicles used by the Royal Family and others for official travel are also maintained in the Royal Mews.

FUTURE DEVELOPMENTS

Developments planned for the year to 31st December 2007 include the following:

Information systems

A review will examine the feasibility of merging the IT and telecommunications systems and networks of the Royal Household and the Royal Collection under the guidance of the newly appointed Director of IT and Telecommunications. Two developments will include the introduction of Blackberries to improve working outside the office and also supporting Personnel and Finance in the implementation of the new combined personnel/payroll system. Existing networks will continue to be enhanced and the newly installed storage area network facility will be further developed to enhance Business Continuity.

Finance

After the successful merging of the Civil List and Grant-in-aid finance functions, a further merging of the enlarged Treasury Finance and the Royal Collection finance functions will commence in the coming year. Several projects are underway designed to improve efficiency and achieve value for money.

Personnel

Personnel have a number of projects including, further development of the Royal Household intranet and the implementation of a new, fully integrated personnel and payroll system, which will provide enhanced accuracy, speed in processing and better access to management information. A “competency framework” will be introduced to support improved management of performance and career development and training programmes will be enhanced to support the delivery of the Household’s objectives. Reviews of Investors in People and the Diversity project will continue.

MANAGING THE ROYAL HOUSEHOLD

Operating Approach

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 best value for money is achieved.

Continuing improvement is an important part of the Royal Household's approach, together with being a good employer and providing good conditions and job satisfaction, operating in a businesslike and professional manner with a strong emphasis on value for money, recruiting from the best across all sections of the community, and being open and accountable in the use of public funds and resources.

Senior Management

The general management 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 Keeper of the Privy Purse, in his role as Treasurer to The Queen, is responsible for the Civil List and for the preparation of these accounts.

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

- Lord Chamberlain - The Lord Luce (to 12th October 2006)
- The Earl Peel (from 13th October 2006)

Heads of Departments:

- Private Secretary to The Queen - The Rt.Hon. Sir Robin Janvrin
- Keeper of the Privy Purse – Sir Alan Reid
- Master of the Household - Air Vice-Marshal David Walker
- Comptroller, Lord Chamberlain's Office - Lt. Col. Sir Malcolm Ross (to 6 January 2006)
- Lt. Col. Andrew Ford (from 7 January 2006)
- Director of the Royal Collection - Sir Hugh Roberts

Non-executive members:

- Private Secretary to The Duke of Edinburgh - Brigadier Sir Miles Hunt-Davis
- Private Secretary to The Prince of Wales - Sir Michael Peat

The Lord Chamberlain's duties are not full time.

Audit Committee

The Audit Committee comprises three members, Nigel Turnbull (non-executive Chairman and Chairman of the Turnbull Committee which produced the Corporate Governance report on Internal Control), Air Vice-Marshal David Walker and Brigadier Sir Miles Hunt-Davis, and reports to the Lord Chamberlain's Committee. It has overall responsibility for

monitoring the effectiveness of the system of internal control, including financial, operational and compliance controls and risk management. 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 three times a year. Meetings are attended by: the Head of Audit Services, the Keeper of the Privy Purse and the Deputy Treasurer to The Queen. Representatives from HM Treasury who are the external auditors attend twice a year. 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 examine issues that may impact on risks within the Royal Household. During the year these have included reviews of IT, security, records management and personnel matters.

Health and Safety

The Royal Household has a comprehensive Health and Safety Policy communicated to all employees. Regular training is provided on aspects of Health and Safety with risk assessment undertaken by the Fire, Health and Safety Office. The Health and Safety Committee, which includes staff representatives, also guides and advises on policy and implementation.

Employment Policies

The Royal Household is committed to Equal Opportunities and all appointments and promotions are on merit. Applications for positions are invited from all sections of the community. Diversity in the workforce is encouraged and training in Equal Opportunities is provided to staff.

All staff receive an annual performance and development review to assess performance and to identify career development opportunities and training requirements.

Staff communication with an emphasis on consultation is a key element of the Royal Household's employment policy with bi-monthly team briefings, an intranet "royal@work" made available to all employees and a staff survey conducted every three years. All staff paid from the Civil List will receive a summary of this report, whilst the full report is available on the Royal Household website.

Training and Career Development

Training is provided in-house and through external organisations covering vocational training, including NVQ and in-house diploma schemes, workplace skills training with a particular focus on IT, and personal development and general management skills training.

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st December</i>		2006	2005
	Note	£m	restated £m
Civil List funding received:			
Annual Civil List		7.9	7.9
Draw-down from reserve		4.1	3.4
		12.0	11.3
Salaries	3	8.8	8.3
Other expenditure			
Catering and hospitality		1.1	1.0
Executive and administrative		1.0	0.9
Housekeeping and furnishings		0.5	0.5
Ceremonial functions		0.3	0.3
Other		0.5	0.3
Total net expenditure	5	12.2	11.3
Net deficit taken from reserves		(0.2)	–

Total net expenditure in 2006 includes approximately £0.6 million in respect of VAT (£0.5 million in 2005).

The accounting policies are summarised on pages 25 and 26. 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 21, 22 and 23 respectively.

The results shown above relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31st December</i>		2006	2005
			restated
	Note	£m	£m
Net deficit taken from reserves		(0.2)	–
Actuarial gain/(loss) for the year		0.3	(0.3)
Total recognised gains / (losses) relating to the year		<u>0.1</u>	<u>(0.3)</u>
Prior year adjustment		(1.3)	
Total net losses recognised since last annual report		<u>(1.2)</u>	

BALANCE SHEET

<i>As at 31st December</i>		2006	2005
	Note	£m	restated £m
Fixed assets	6	2.0	1.9
Current assets			
Stock	7	0.4	0.5
Debtors	8	1.0	0.8
Cash at bank and in hand		0.6	0.5
		2.0	1.8
Creditors : amounts falling due within one year	9	(1.6)	(1.3)
Net current assets		0.4	0.5
Total assets less current liabilities excluding group pension scheme liability		2.4	2.4
Group pension scheme liability	4	(1.2)	(1.3)
Net assets		1.2	1.1
Represented by:			
Reserves	10	1.2	1.1

Sir Alan Reid

Keeper of the Privy Purse

30th April 2007

CASH FLOW STATEMENT

<i>Year to 31st December</i>	2006	2006	2005	2005
	£m	£m	restated £m	£m
Reconciliation of total net expenditure to Civil List funding				
Total net expenditure		(12.2)		(11.3)
Depreciation	0.4		0.5	
Net excess of pension service costs over contributions	0.2		0.1	
Decrease in stock	0.1		–	
Increase in debtors	(0.2)		–	
Increase / (decrease) in creditors due within one year	0.3		(0.2)	
		0.8		0.4
Net cash outflow from activities		(11.4)		(10.9)
Capital expenditure – fixed assets acquired		(0.5)		(0.6)
Net cash outflow before funding		(11.9)		(11.5)
Civil List funding received		12.0		11.3
Net increase / (decrease) in cash		0.1		(0.2)
Reconciliation of cash balances		2006		2005
Cash at bank as at 1st January		0.5		0.7
Net increase /(decrease) in cash		0.1		(0.2)
Cash at bank as at 31st December		0.6		0.5

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.

Since the transfer of additional expenditure to the Civil List with effect from 1st April 2001, Civil List expenditure exceeds the annual £7.9 million payment and amounts are therefore now withdrawn from the reserve each year rather than being paid into it.

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

	2006	2005 restated
	£m	£m
Net expenditure for the year	(12.2)	(11.3)
Net increase in fixed assets	(0.1)	(0.1)
Net decrease in stock	0.1	–
Net excess of pension service costs over contributions	0.2	0.1
Total cash received	<u>(12.0)</u>	<u>(11.3)</u>
Civil List reserve	2006	2005
	£m	£m
Balance brought forward	32.2	34.0
Interest received	1.3	1.6
Draw-down	<u>(4.1)</u>	<u>(3.4)</u>
Balance carried forward	<u>29.4</u>	<u>32.2</u>

The reserve is invested in money market deposits.

The draw-down for 2007 is expected to be £5.3 million including 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 direction given by the Treasury under Section 9 of the Civil List Audit Act 1816 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) Change in accounting policy

Financial Reporting Standard (FRS) 17: Retirement Benefits has been adopted in full for the first time in the accounts. This has led to a pension liability being recognised in the balance sheet which has been accounted for by means of a prior year adjustment. This has had the effect of increasing salary costs in the Income and Expenditure Account by £0.2 million for 2006 (£0.1 million in 2005) and of reducing reserves as at 31st December 2006 by £1.2 million (31st December 2005 £1.3 million). Details are provided in note 4 to these accounts.

c) Recharges

All recharges are accounted for on a receivable basis.

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) Fixed assets and depreciation

Expenditure of £500 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.

f) Stock

Stock is valued at the lower of cost and market value.

g) 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 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 and accordingly the Income and Expenditure Account includes the cost of benefits accruing during the year in respect of current service (charged against resources expended); 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 (shown as pensions finance charge); the actuarial 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 group pension scheme taking the assets at their year-end bid-values and liabilities at their actuarially calculated values discounted at year-end AA corporate bond index.

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 note 4.

h) 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 a group pension scheme deficit is included in the reserves.

2. SEGMENTAL ANALYSIS

	Salaries		Other costs		Total	
	2006	2005	2006	2005	2006	2005
	restated		restated		restated	
	£m	£m	£m	£m	£m	£m
Catering and hospitality	1.4	1.4	1.1	1.0	2.5	2.4
Executive and administrative	3.4	3.1	1.0	0.9	4.4	4.0
Housekeeping and furnishings	2.4	2.2	0.5	0.5	2.9	2.7
Ceremonial functions	1.4	1.5	0.3	0.3	1.7	1.8
Other	0.2	0.1	0.5	0.3	0.7	0.4
Total	8.8	8.3	3.4	3.0	12.2	11.3

Other salaries relates to non cash pension costs.

3. STAFF NUMBERS AND COSTS

Establishment

The number of staff paid from the Civil List as at 31st December was as set out below.

	Number of staff	
	2006	2005
Lord Chamberlain	1	1
Private Secretary's Office	47	43
Privy Purse and Treasurer's Office	26	27
Master of the Household's Department	174	176
Lord Chamberlain's Office	63	63
Establishment for whom costs borne by Civil List	311	310

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.

The staff numbers for 2006 include increases compared with 2005 of three staff in the Private Secretary's Office, relating to Freedom of Information.

Payroll Costs

	2006	2005 restated
	£m	£m
Salaries	6.7	6.4
Temporary staff	0.3	0.3
National Insurance	0.6	0.5
Pension contributions	1.2	1.1
	<u>8.8</u>	<u>8.3</u>

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

Salaries for members of the Lord Chamberlain's Committee paid from the Civil List, together with accrued pensions, are shown below. The salaries are set with reference to Senior Civil Service pay scales. The non-executives receive no remuneration in respect of their duties as members of the Committee.

<i>Year to / as at 31st December</i>	Age	Salary		Pension at 60 accrued to date			
				Annual pension		Lump sum	
		2006	2005	2006	2005	2006	2005
		£'000	£'000	£'000	£'000	£'000	£'000
The Lord Luce	70	51	64	5	4	15	13
The Earl Peel	59	17	—	—	—	—	—
The Rt.Hon. Sir Robin Janvrin	60	176	167	42	40	127	121
Sir Alan Reid	59	188	182	—	—	—	—
Air Vice-Marshal David Walker	50	131	115	—	—	—	—
Lt. Col. Sir Malcolm Ross	63	2	77	18	18	53	53
Lt. Col. Andrew Ford	49	81	—	—	—	—	—

A proportion of Sir Alan Reid's salary is recharged to the Property Services and Royal Travel Grants-in-aid and to the Royal Collection Trust, as part of the service charges. Sir Hugh Roberts is not included in the above table because he is not paid by the Civil List.

Air Vice-Marshal David Walker is seconded from the Ministry of Defence. The salary shown above is his secondment cost (excluding VAT) charged to the Civil List.

Sir Alan Reid has a payment equal to 17.5% of his salary paid into a personal pension scheme. The Earl Peel and Lt. Col. Andrew Ford have payments equal to 15% of their salaries paid into the stakeholder scheme. Accrued pension amounts for 2005 are inflated by the retail price index to 2006 values.

4. 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. Pension contributions are paid directly to the Consolidated Fund; in turn, pension benefits are paid directly from the Consolidated Fund on a defined benefit basis. The contribution rate during the year was 19.7% of pensionable pay (15.5% in 2005 until 31st March 2005 when it increased to 19.7%), 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 is treated as a defined contribution scheme by the Civil List.

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 1st January 2006. 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 1.7% per annum post retirement and 3.2% 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 £24.5 million and that this value of the assets was sufficient to cover 69% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Following this valuation, the employer's contribution rate in respect of staff employed by the Civil List has been increased to 25.1% from 1st January 2007 (previously 17.6%), plus an index linked annual payment of £59,000 (previously £23,000).

The valuation used for this disclosure has been based on the most recent actuarial review of the Royal Households Group Pension Scheme as at 1st January 2006 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 2006. Scheme assets in respect of the Civil List section of the scheme are stated at their market values at 31st December 2006.

Actuarial assumptions adopted as at 31st December	2006	2005	2004
Discount rate	5.1% pa	4.7% pa	5.3% pa
Rate of general long-term increase in salaries	4.6% pa	4.4% pa	4.4% pa
Rate of price inflation	3.1% pa	2.9% pa	2.9% pa
Rate of increase to pensions in payment (pre 1993 service)	5.0% pa	5.0% pa	5.0% pa
Rate of increase to pensions in payment (post 1993 service)	3.1% pa	2.7% pa	2.7% pa

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 fair value of the assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, have been determined by the actuary as follows.

Main asset categories	Long term rate of return expected as at 31st December			Value as at 31st December		
	2006	2005	2004	2006	2005	2004
				£m	£m	£m
Equities	7.5% pa	7.1% pa	7.6% pa	1.5	1.2	0.9
Government Bonds	4.5% pa	4.1% pa	4.6% pa	0.4	0.3	0.2
Other	5.3% pa	4.6% pa	4.8% pa	—	0.1	—
Total assets				1.9	1.6	1.1
Liabilities				(3.1)	(2.9)	(2.0)
				(1.2)	(1.3)	(0.9)

There is therefore a net pension liability of £1.2 million as at 31st December 2006 (£1.3 million as at 31st December 2005). The amount of this net pension liability has a consequential effect on reserves.

Analysis of amounts charged against expenditure

Year to 31st December	2006	2005
	£m	£m
Current service cost	0.4	0.3
Total operating charge	(0.4)	(0.3)

Analysis of amounts credited to other finance income

Year to 31st December	2006	2005
	£m	£m
Expected return on scheme assets	0.1	0.1
Interest on pension scheme liabilities	(0.1)	(0.1)
Total operating charge	—	—

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

	2006	2005
	£m	£m
Deficit as at 1st January	(1.3)	(0.9)
Movement in year:		
Current service cost	(0.4)	(0.3)
Contributions	0.2	0.2
Actuarial gain/(loss)	0.3	(0.3)
Deficit as at 31st December	(1.2)	(1.3)

The actuarial gain/(loss) in the year comprises:

	2006	2005
	£m	£m
Actual return less expected return on assets	–	0.2
Experience gains and losses arising on the liabilities	0.2	(0.1)
Change in assumptions underlying the present value of the liabilities	0.1	(0.4)
Actuarial gain/(loss)	<u>0.3</u>	<u>(0.3)</u>

History of experience gains and losses	2006	2005	2004
Difference between the expected and actual return on scheme assets			
Amount (£m)	0.0	0.2	0.0
Expressed as a percentage of scheme assets	1.9%	12.1%	2.5%
Experience losses on pension liabilities expressed as a percentage of the present value of the liabilities			
Amount (£m)	0.2	0.0	(0.1)
Expressed as a percentage of scheme assets	5.6%	(1.5%)	(2.3%)
Total actuarial loss expressed as a percentage of the present value of liabilities			
Amount (£m)	0.3	(0.3)	(0.1)
Expressed as a percentage of scheme assets	11.1%	(9.6%)	(6.8%)

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.

5. TOTAL NET EXPENDITURE

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

	2006	2005
	£m	£m
Depreciation	0.4	0.5
Rentals under operating leases	0.1	0.1
Service charges and recharges	(2.7)	(2.8)

The Auditors' remuneration for the audit was £nil (£nil in 2005). There were no additional fees paid to the Auditors during 2006 or 2005.

6. FIXED ASSETS

	Information Systems	Furnishings & Equipment	Horses & Liveries	Total
	£m	£m	£m	£m
Cost				
At 1st January 2006	2.3	1.6	0.3	4.2
Additions	0.2	0.2	0.1	0.5
At 31st December 2006	<u>2.5</u>	<u>1.8</u>	<u>0.4</u>	<u>4.7</u>
Depreciation				
At 1st January 2006	1.6	0.6	0.1	2.3
Charge for the year	0.3	0.1	–	0.4
At 31st December 2006	<u>1.9</u>	<u>0.7</u>	<u>0.1</u>	<u>2.7</u>
Net book value				
At 31st December 2006	<u>0.6</u>	<u>1.1</u>	<u>0.3</u>	<u>2.0</u>
At 1st January 2006	<u>0.7</u>	<u>1.0</u>	<u>0.2</u>	<u>1.9</u>

7. STOCK

	2006	2005
	£m	£m
Official presents	–	0.1
Wine and spirits	0.4	0.4
	<u>0.4</u>	<u>0.5</u>

Wine is held in stock to age.

8. DEBTORS

	2006	2005
	£m	£m
Recharges	0.6	0.7
Other debtors	0.3	–
Prepayments	0.1	0.1
	<u>1.0</u>	<u>0.8</u>

9. CREDITORS: amounts falling due within one year

	2006	2005
	£m	£m
Amounts due to suppliers	0.3	0.3
PAYE and National Insurance	0.7	0.6
Pension contributions	0.2	0.3
Accruals	0.4	0.1
	<u>1.6</u>	<u>1.3</u>

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.

10. RESERVES

	Fixed Asset reserve £m	Stock reserve £m	Pension scheme deficit £m	Total reserves £m
As at 1st January 2006	1.9	0.5	–	2.4
Prior Year adjustment for FRS 17: Retirement Benefits	–	–	(1.3)	(1.3)
As at 1st January 2006 (restated)	<u>1.9</u>	<u>0.5</u>	<u>(1.3)</u>	<u>1.1</u>
Movement in year	0.1	(0.1)	0.1	0.1
As at 31st December 2006	<u>2.0</u>	<u>0.4</u>	<u>(1.2)</u>	<u>1.2</u>

11. COMMITMENTS

Operating lease commitments are as follows:

	2006	2005
	£m	£m
Expiring between 2 and 5 years	<u>0.1</u>	<u>0.1</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.

	2006 £m	2005 £m	2006 £m	2005 £m
	Balance due from:		Recoveries from:	
Royal Collection Trust	0.1	—	0.9	0.8
Property Services Grant-in-aid	0.1	0.1	0.7	0.7
Royal Travel Grant-in-aid	—	—	0.1	0.1
Privy Purse	0.1	0.1	0.2	0.2
Other Royal Households	0.2	0.2	0.3	0.3
	Balance due to:		Charged by:	
Privy Purse	—	—	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 accountancy, payroll, personnel, catering, cleaning and the provision of press office, internal audit 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 CONTROLS

A system of internal control is in place to safeguard the assets and funds of the Civil List and to give reasonable assurance that operating policies are implemented and aims and objectives met.

The system of internal control is based on an ongoing process designed to (a) identify and evaluate the nature and extent of the risks to the achievement of the aims and objectives of Civil List funded operations, set out in its five year plan, and (b) manage these risks efficiently, effectively and economically. For reasons of cost and practicality, the system of internal control is intended to manage rather than eliminate risks and to give reasonable rather than absolute assurance.

The Keeper of the Privy Purse, who is responsible for ensuring that a sound system of internal control is maintained and for reviewing its effectiveness, has regard to the following:

- A detailed budget for the following year, which sets out the aims and objectives for Civil List funded operations, plus a rolling five year plan; the budget is approved annually by the Lord Chamberlain's Committee. Monthly expenditure is reported against budget. Significant variances to budget are examined and appropriate action is taken where required.
- A risk and control assessment and a risk register have been compiled. They have been reviewed with the management of each operating area, enabling a full risk and control assessment for the year ended 31st December 2006.
- The continuing risk assessment process undertaken by management. This forms the basis of the annual internal audit plan, which is approved by the Audit Committee. Progress in implementing internal audit recommendations is monitored by management and copies of internal audit reports are made available to HM Treasury. The Head of Audit Services reports to the Committee annually on the adequacy of the internal control system and on whether any losses arising through misconduct, fraud or any other irregularity have been identified.
- Work undertaken by HM Treasury as external auditors and other work and assessments undertaken by management.

In his review of the effectiveness of the system of internal control, the Keeper of the Privy Purse is informed by the work of the internal auditors and managers who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The Keeper of the Privy Purse has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Sir Alan Reid

Keeper of the Privy Purse

30th April 2007

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;
- 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 Household maintains books and records which are proper and necessary to enable it to discharge its responsibility for income and expenditure;
- the Civil List is used economically, efficiently and effectively to secure best value for money, in accordance with propriety and regularity;
- 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 for taking reasonable steps to prevent and detect fraud and other irregularities.

The 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

30th April 2007

REPORT OF THE AUDITOR TO THE CHANCELLOR OF THE EXCHEQUER

I have audited the accounts on pages 20 to 35 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 25 and 26.

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 page 36 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 my 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 my audit so as to obtain all the information and explanations which I 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 2006 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.

Nicholas Macpherson

Civil List Auditor

Government Offices

1 Horse Guards Road

London

SW1A 2HQ

30th April 2007

APPENDIX A: ADDITIONAL NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Staff costs for each of the following expenditure categories are included under salaries and the breakdown is shown in note 2. An analysis of other costs is set out below.

Catering and hospitality

	2006	2005
	£m	£m
Garden parties	0.7	0.6
Food and kitchens	0.4	0.4
	<u>1.1</u>	<u>1.0</u>

Executive and administrative

	2006	2005
	£m	£m
Recruitment and training	0.2	0.2
Depreciation (net of recharge)	0.3	0.3
Stationery	0.1	0.1
Computers and information systems	0.2	0.1
Legal advice and other professional services	0.1	0.1
Travel	0.1	0.1
	<u>1.0</u>	<u>0.9</u>

Housekeeping and furnishings

	2006	2005
	£m	£m
Housekeeping	0.3	0.3
Furnishings and equipment	0.2	0.2
	<u>0.5</u>	<u>0.5</u>

Ceremonial functions

	2006	2005
	£m	£m
Carriage processions	0.1	0.1
Uniforms and protective clothing	0.1	0.1
Motor vehicles	0.1	0.1
	<u>0.3</u>	<u>0.3</u>

APPENDIX B: FIVE YEAR INFORMATION

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st December ¹</i>	2006 £m	2005 £m	2004 £m	2003 £m	2002 £m
Civil List funding received:					
Annual Civil List	7.9	7.9	7.9	7.9	7.9
Draw-down from reserve	4.1	3.4	2.8	2.6	2.2
	<u>12.0</u>	<u>11.3</u>	<u>10.7</u>	<u>10.5</u>	<u>10.1</u>
	<u><u>12.0</u></u>	<u><u>11.3</u></u>	<u><u>10.7</u></u>	<u><u>10.5</u></u>	<u><u>10.1</u></u>
Salaries	8.8	8.3	7.6	7.1	6.8
Other expenditure					
Catering and hospitality	1.1	1.0	0.9	0.9	0.9
Executive and administrative	1.0	0.9	1.0	0.9	0.7
Housekeeping and furnishings	0.5	0.5	0.5	0.5	0.4
Ceremonial functions	0.3	0.3	0.2	0.2	0.2
Other costs	0.5	0.3	0.4	0.3	0.8
Total net expenditure	<u>12.2</u>	<u>11.3</u>	<u>10.6</u>	<u>9.9</u>	<u>9.8</u>
Net (deficit) / surplus taken (from) / to reserves	<u>(0.2)</u>	<u>–</u>	<u>0.1</u>	<u>0.6</u>	<u>0.3</u>

PERFORMANCE INDICATORS AND OPERATING RATIOS

	2006	2005	2004	2003	2002
Increase in net Civil List expenditure ¹	8.0%	6.6%	7.1%	2.0%	19.7% ²
Suppliers paid within:					
• 30 days	81%	89%	91%	91%	92%
• 40 days	89%	93%	95%	95%	95%
• 50 days	92%	96%	97%	96%	96%
Establishment (after recharges)	311	310	307	303	290

¹ 2005 figures have been restated in accordance with FRS 17: Retirement Benefits. No such adjustments have been carried out for years 2002 to 2004.

² During 2002 the Civil List took on more costs following the recommendations set out in the Report of the Trustees in July 2000.

APPENDIX C: ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN RESPECT OF THE CIVIL LIST

1. The Royal Household shall prepare accounts for The Queen's Civil List (the Civil List) for the year ended 31st December 2003 and for subsequent financial years comprising :
 - (a) a narrative description of activities and results for the year;
 - (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. The accounts shall give a true and fair view of the income and expenditure, total recognised gains and cash flows for the year, and the state of affairs as at the end of the year, prepared in accordance with generally accepted accounting practice in the United Kingdom (UK GAAP).
3. The application of the accounting and disclosure requirements of the Companies Act, accounting standards and other disclosure requirements is given in Schedule 1 attached.
4. This direction shall be reproduced as an appendix to the accounts.

Ian Taylor

The Treasury Accountant

30th March 2004

SCHEDULE 1: ACCOUNTING AND DISCLOSURE REQUIREMENTS

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply to the Civil List accounts unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, information relating to the Civil List accounts shall be contained in the foreword, which shall be signed and dated by the Keeper of the Privy Purse.
3. When preparing its Income and Expenditure Account, the Civil List accounts shall have regard to the profit and loss account format 2 prescribed in Schedule 4 to the Companies Act.
4. When preparing its balance sheet, the Civil List accounts shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act. The balance sheet totals shall be struck at "Total assets less current liabilities" and signed and dated by the Keeper of the Privy Purse.
5. The Civil List accounts are not required to provide the historic cost information prescribed in paragraph 33(3) of Schedule 4 to the Companies Act.

Accounting Standards

6. Historical cost profits and losses (as described in FRS3) do not have to be shown.

Other disclosure requirements

7. The accounts shall, inter alia:
 - (a) state that the accounts have been prepared in accordance with this Treasury direction;
 - (b) include a statement on the system of internal controls;
 - (c) include an appendix giving details of Household expenses (excluding salaries) consistent with the categories in 3.3.2 of the Report of the Royal Trustees dated 4th July 2000.

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

Annual Report 2006-07

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INTRODUCTION TO THE GRANT-IN-AID

The Memorandum of Understanding and Financial Memorandum dated 28th September 2006, which superseded that dated 14th March 1991 between the Lord Chamberlain and the Permanent Secretary of the Department of the Environment (since July 1997 the Department for Culture, Media and Sport), sets out the basis on which the Royal Household should use and account for the Grant-in-aid provided to it by the Department. The Memorandum of Understanding requires the Keeper of the Privy Purse, the Royal Household official with responsibility for the Grant-in-aid, to account for its stewardship in an annual report. The annual report for the year to 31st March 2007 (also referred to as 2006-07), dated 7th June 2007, is set out herein.

From 1st April 1999, the Grant-in-aid was increased to include provision for Royal Communications and Information and for the maintenance of Marlborough House. The former was initially established as a separate Grant-in-aid on 1st April 1998 from the Central Office of Information.

The former Department of the Environment, Transport and the Regions previously funded the maintenance of Marlborough House, which is occupied by the Commonwealth Secretariat. The funding was transferred to the Department for Culture, Media and Sport on 1st April 1999, with the Household assuming management responsibility for the maintenance of Marlborough House. The Household maintains Marlborough House, in effect, as the Department's contractor and the expenditure is not a cost of the Monarchy.

The three parts of the Grant-in-aid (Property Services, Royal Communications and Information, and Marlborough House) are presented separately in this annual report.

The Grant-in-aid is allocated between these three responsibilities, with the Royal Household able to vire funds between the three areas.

PROPERTY SERVICES

INTRODUCTION

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
- 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". The Estate comprises some 360 individual properties 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 is The Queen's Gallery at Buckingham Palace, some 267 properties available for residential use, mainly by staff and pensioners, and fourteen 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 surplus from the Crown Estate which amounted to £191 million in the year to 31st March 2006). The Department for Culture, Media and Sport has overall responsibility for the maintenance of and provision of services to the Occupied Royal Palaces; however, with effect from 1st April 1991, management and operating responsibility was transferred to the Royal Household. A new department of the Royal Household, called the Property Section, was established in 1991 to take on this work.

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 invites approximately 80,000 guests annually to the Palaces and there are approximately 1.75 million (1.5 million in 2005-06) paying visitors. The net contribution from paying visitors goes towards the general maintenance of the Occupied Royal Palaces, and the upkeep, conservation and presentation of the Royal Collection (for which a separate annual report is published).

SUMMARY

FUNDING AND PROJECTS

Property Services expenditure for the year to 31st March 2007 (also referred to as 2006-07) was £14.5 million compared with £14.3 million in 2005-06, an increase of 0.52% in absolute terms and a reduction of 5.5% in real terms¹. Net cash expenditure has been reduced by 34% in absolute terms and by 69% in real terms during the sixteen years since 31st March 1991.

Three projects were completed or in progress during 2006-07 with a construction cost in the year of £250,000 or more:

- External fabric repairs to 8-9 Lower Ward, Windsor Castle;
- Removal of Asbestos, Side Door Ducts, Buckingham Palace; and
- Re-ordering of the Bindery and Associated Workshops Phase 1, Windsor Castle.

Proceeds of £2.5 million were generated by the Royal Household in 2005-06 from the sale of land at the Royal Garden Hotel. The proceeds were 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. During 2006-07 Property Services drew £0.2 million of this capital funding towards a project for the modernisation and refurbishment of a staff accommodation block within the Royal Mews area of Buckingham Palace.

Underlying funding for Property Services is expected to remain at £15 million for 2007-08. It will then have remained at that level for nine years. An application has been made to the Department for Culture, Media and Sport for an increase from 1st April 2008 as part of the Treasury's Spending Review and the outcome of this bid is awaited. While Property Services was successful in early years in eliminating the building backlog inherited in 1991, this is inevitably building up again since expenditure in real terms is only one third of the 1991-92 level.

Over the past five years expenditure on maintenance projects with a cost of £3,500 or more has declined by £1.6 million (22%) from £7.3 million to £5.7 million and by 36% in real terms.

The absence of an increase in the Grant-in-aid combined with an increase in the costs of Utilities and Fire, Health and Safety services indicate that without an increase in funding, expenditure on maintenance projects will decrease even further and lead to an overall deterioration in the health of the Estate. In last year's report it was highlighted that there were unlikely to be sufficient funds available for the foreseeable future to undertake much needed conservation work at the Victoria and Albert Mausoleum.

¹ "Absolute terms" refers to the movement in net expenditure before taking account of (a) inflation (see page 90), (b) transfers of expenditure to the Grant-in-aid from Government Department Votes and (c) changes in the rate and incidence of VAT. "Real terms" is after adjusting for these three factors.

Furthermore, the reduction in the funding available for maintenance projects renders Property Services vulnerable to unexpected and large demands on the maintenance budget such as the urgent repairs to the Quadrangle façade of the East wing of Buckingham Palace which it is estimated will cost £3 million over the next five years.

Several other maintenance projects have been deferred or omitted altogether including renewal of roofs at Buckingham Palace and Windsor. The roof above the Picture Gallery is a particular concern but it is estimated that it would cost £1-1.5 million to renew. Roofs of the Upper Ward at Windsor have been mainly patched as opposed to renewed. In addition £0.6 million per year is required to redecorate the Principal Rooms at Buckingham Palace and Windsor but has been indefinitely deferred.

ENVIRONMENTAL RESPONSIBILITY

Property Services has continued to pursue its policy of energy conservation to save costs and reduce the impact of the Household's activities on the environment. During the year, the Household with the assistance of The Climate Group undertook an exercise to establish the environmental impact of Property Services. The Household will aim to reduce its impact through a combination of reducing emissions that contribute to climate change and carbon offset arrangements.

COURT POST OFFICE

From 1st April 2001 the Household, at its suggestion, has paid for the Court Post Office's postal and telegraph services. These services were funded with the aid of the transfer of some expenditure to the Civil List and a temporary increase in the Grant-in-aid of £0.5 million in 2001-02, decreasing by £0.1 million a year. By 2006-07 the costs of the Court Post Office's postal and telegraphic services are being fully met without additional funding.

OPERATING AND FINANCIAL REVIEW

PROPERTY MAINTENANCE

The maintenance and conservation of the important buildings entrusted to its care is the Property Section's principal concern. Its approach is based on pre-planned preventative maintenance and conserving (and wherever possible enhancing) the architectural and historical integrity of the buildings, while at the same time 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 who work in them;
- expert advice from English Heritage and a wide-range of independent consultants with experience in conservation;
- the Property Section's planned maintenance programme of regular checks, tests and inspections;
- 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.

Design and building work on the Estate is governed by a comprehensive set of procedures referred to as the Property Section's "Desk Instructions". These cover, for example, 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 a rolling works programme, showing projected and actual costs, which is updated on a monthly basis.

MAJOR PROJECTS IN THE YEAR

In 2006-07 a total of 191 revenue funded projects over £3,500 in value were carried out across the estate. Three of these projects had a construction works spend in excess of £250,000 in the year:

External fabric repairs to 8-9 Lower Ward, Windsor Castle (£0.4 million)

The properties known as numbers 5 - 12 Lower Ward, situated between the Henry VIII Gate and the Henry III Tower, to the south side of the Lower Ward, provide lodgings for a number of the Military Knights of Windsor.

There is a planned programme of works for the ongoing renewal of lead roof coverings, many of which are over 100 years old. The repair of numbers 5 to 12 is being carried out in three phases, the second of which covers numbers 8 and 9. The scaffold is also being used to clean, repair and re-point stonework and overhaul windows and doors.

Work on the second phase of the project commenced in June 2006 and was completed in November 2006. The total cost to the Grant-in-aid, including VAT and fees, is £0.4 million.

Removal of Asbestos, Side Door Ducts, Buckingham Palace (£0.3 million)

It is the Property Section's policy to remove, wherever practical, all known asbestos based material to comply with The Control of Asbestos at Work Regulations 2002 and Control of Substances Hazardous to Health Act 1988 to provide a safer working environment.

This particular project involved removing contaminated waste from the main service ducts located under the basement corridors of Buckingham Palace in order that access could be maintained to vital service equipment. Access to the service ducts was gained through access covers but where this was not possible, the concrete floor was removed and made good on completion of the works. In some areas works could only be carried out over weekends or at night so as not to hamper access to operational rooms or to block fire exits. Where access was hampered by supporting walls, some areas were propped up and walls temporarily removed to grant access to voids.

The works produced 120 cubic metres of waste which had to be double bagged and sealed before leaving the work area. The waste was subsequently loaded into sealed skips which were then transported by licenced carriers to a licenced asbestos waste site.

Work commenced on site in December 2006 and took 6 weeks to complete. The total cost to the Grant-in-aid, including VAT and fees was £0.3 million.

This project is the largest of several undertaken in the year solely for asbestos removal, but many other projects have asbestos removal costs as part of their programme of works. The total cost to the Property Section of asbestos removal in 2006-07 was £1.2 million, 21.1% of the annual works programme spend.

Re-ordering of the Bindery and Associated Workshops Phase 1, Windsor Castle (£0.4 million)

The paper conservation workshops are located in the north west side of the Upper Ward where the care and maintenance of some of the most delicate and important drawings, manuscripts and early printed books in the Royal Collection is carried out. In 2002 the bookbinders, archive conservators and drawing conservators were united into a single team and the studios within the Bindery have been unable to cope with the demands of a developing team. Some areas of the workshops were found to be in conflict with current health and safety regulations and the basement studios had no air-conditioning provision which could cause damage to artefacts removed from the conditioned spaces.

This project set out to develop the existing available space, with the annexing of adjacent rooms to provide conditions and an environment conducive for the items being worked on. The decision was taken to undertake the scheme in three phases and this project forms the initial phase covering the alterations and servicing of a shared laboratory and wet treatment room, and various workshops and rooms for the drawing conservators.

Phase one of the project commenced on site in November 2006 and was completed in March 2007 at a total cost to the Grant-in-aid, including fees and VAT, of £0.4 million.

In addition one project funded from a capital grant had spend of over £250,000 in the year:

Refurbishment of staff accommodation at the Rear of the Royal Mews, Buckingham Palace (£0.1 million works, £0.2 million fees to date)

The site area of this project comprises apartments, offices, store rooms, plant rooms, garages, corridors and circulation spaces that form the living accommodation and some operational areas at the rear of the Royal Mews. The current facilities in all areas have not been refurbished for many years and are now inadequate when compared to recently refurbished operational areas and apartments within the estate. This project sets out to fully refurbish seventeen apartments so that they are suitable for use both as single persons and family accommodation and to improve access to the various apartments by creating external and internal links that will enable easier and safer access. The scope of the work will include installation of new boilers and heating systems, re-wiring to modern standards, asbestos removal, installation of secondary glazing to rooms overlooking main roads, upgrading of AFD systems to incorporate voice alarms, redesign and renewal of all bathrooms and kitchens, fire compartmentation and provision of better means of escape and complete internal and external redecoration.

The contract has been tendered and a trial apartment completed. It is expected that work will commence on the main part of the contract in the autumn of 2007 and will be completed by summer 2008. The total cost to the Grant-in-aid, including fees and VAT, is to be met by capital funding and is expected to be £2 million.

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 54 of the 191 projects in progress during the year (54 out of 201 in 2005-06). The 2006-07 fee ratio for these 54 projects, including the appropriate proportion of in-house supervision costs, was 7.2% (6.9% in 2005-06). The overall ratio, including smaller projects, for which the architectural and other services are largely provided by in-house staff, was 18.0% as mentioned on page 65 (17.6% in 2005-06).

GENERAL MAINTENANCE

General maintenance costs comprise preventative/planned and reactive work, the majority being the former. Preventative or planned maintenance includes (a) small areas of redecoration and other repair work costing less than £3,500, (b) regular inspections of lifts, boilers and other equipment and plant, (c) work arising from in-house inspections and previous quinquennial surveys, and (d) 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, etc.

VISITOR CONTRIBUTION

The Royal Collection pays the Property Section a contribution towards maintenance costs based on the net surplus from paying visitors to the Windsor Castle Precincts, which amounted to £1.8 million in 2006-07 (2005-06 £1.4 million).

During 2006-07 there were 1,010,000 paying visitors to Windsor Castle (951,000 in 2005-06), an increase of 6%. This increase is largely attributable to interest generated by the special exhibition celebrating Her Majesty's 80th birthday and a recovery in tourism over the summer following the London bombings in 2005.

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. This heading also includes the cost of measured and condition surveys, property related consultancies and computer equipment and office supplies for property maintenance staff.

OTHER EXPENDITURE

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 across the Estate. An Environment Committee is established within the Property Section as the forum in which energy savings performance is assessed and ideas developed.

Electricity

In 2006-07 approximately 9.0 million kWh (9.2 million kWh in 2005-06) were consumed on the Estate, a saving of 1.8%. The combined heat and power units (CHP) located at Buckingham Palace and Windsor Castle produced 2.6 million kWh of this consumption (1.1 million kWh in 2005-06) and contributed to a 20.7% reduction in carbon emissions.

Gas

The refinement of the Building Energy Management Control Systems at Buckingham Palace and Windsor Castle continues. In 2006-07 approximately 24.2 million kWh (25.7 million kWh in 2005-06) were consumed on the Estate, a saving of 6% in carbon emissions. The CHP units at both London and Windsor provided hot water during the summer allowing main boilers to be switched off, thereby reducing gas consumption.

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.

Telephones

Five full time telephone operators are employed at Buckingham Palace. Temporary stand-ins are also used. The switchboard is staffed 24 hours a day and received 551,866 incoming calls in 2006-07 (312,000 in 2005-06). These have reduced from a level of around 700,000 five years ago as a result of increased use of Direct Dial-In numbers, mobile telephones and email. The increase in 2006-07 is due to a high number of calls related to the 80th birthday of The Queen.

Private wires are required for security purposes and Buckingham Palace has megastream links to Windsor Castle and a fibre optic link between Buckingham Palace and St. James's Palace.

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 and is not within the Household's control. Council Tax is also paid from the Grant-in-aid for properties that are vacant and for hostel 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

Until 31st March 2001, the Court Post Office's postal and telegraph services were provided free of charge by the Post Office. From 1st April 2001, at its suggestion, the Household was charged for these services. Funding for the Court Post Office arose from the transfer of £0.8 million of expenditure to the Civil List and a temporary increase in the Grant-in-aid by £0.5 million (decreasing by £0.1 million in each of the following five years). As a result of revisions to the level of service and a review of the costs with Royal Mail, significant savings have already been achieved.

Royal Mail provides staff in the Court Post Office, including the Court Postmaster, postmen at Buckingham Palace, telephone system managers, a telegraph clerk at Windsor Castle, drivers and couriers. The Court Post Office provides a wide range of services including:

- the running of Court 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;
- telephone managers to run the telephone system in the Palaces and other residences when The Queen is there; and
- other services, such as telegrams and despatches.

In 2007-08 the telephone systems managers will be employed by the Royal Household under a new service level agreement with Royal Mail.

GARDENS

Buckingham Palace

The garden covers an area of approximately 39 acres including the lake. In addition, the gardeners based at Buckingham Palace are responsible for the flower beds and grass areas at Kensington and St. James's Palaces, an aggregate area of approximately 15 acres. Approximately 36,000 (30,000 in 2005-06) people walked round the Buckingham Palace garden during the summer Garden Parties and over 395,000 (260,000 in 2005-06) people saw parts of the garden as they walked out through it, having visited the Buckingham Palace State Apartments. In addition, 29,000 (35,000 in 2005-06) 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 obtain added value from staff and buildings and to offset costs.

FURNITURE AND EQUIPMENT

15 craftsmen including a supervisor, cabinet makers, 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.

It also includes the purchase of office furniture and equipment for staff paid from the Grant-in-aid and carpets and furnishings for the Chapels and Central Chancery Offices at St. James's Palace, and the restoration of historic carpets.

RENT AND OTHER RECOVERIES

Rent receivable includes commercial lettings of apartments 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 1st April 1991. In addition, income is received from the Ascot Office, the Royal Windsor Horse Show and Royal Collection Enterprises for the use of office accommodation at Buckingham Palace, St. James's Palace and Windsor Castle, and from the College of St George for the temporary use of residential accommodation at Windsor.

Commercial lettings of properties have increased to 28 (25 in 2005-06).

FUTURE DEVELOPMENTS

Objectives for the five years to 31st March 2012 include the following:

Major property projects

Last year, it was anticipated in the Annual Report that it would not be possible to carry out significant projects with a construction cost of £0.8 million or more due to funding constraints. In preparing the report, various major projects were deferred beyond the Five Year Plan to achieve a balanced budget. These included work to the Quadrangle façade of the East wing of Buckingham Palace, which is constructed of Caen stone and was painted in 1853, only six years after its completion. In May and October 2006, large pieces of stone fell from the façade and further loose fragments were removed immediately afterwards. Now a major risk to health and safety, it is estimated that the repair of this façade will cost in the region of £3 million over the next five years, but including this urgent work will inevitably mean that other essential maintenance and repair projects will be deferred.

Another project in the five year plan deferred indefinitely is the restoration of the Victoria and Albert Mausoleum which was placed on the English Heritage 'Buildings at Risk' Register in 2006. The estimated cost of repair of this building is in excess of £2 million, the equivalent of almost half of the forecast grant which will be available for projects across the whole estate in 2011-12. As a result, the project cannot be included in the Five Year Plan and it is likely that the building will continue to deteriorate further.

Several other maintenance projects have been deferred or omitted altogether including renewal of roofs at Buckingham Palace and Windsor. The roof above the Picture Gallery is a particular concern but it is estimated that it would cost £1-1.5 million to renew. Roofs of the Upper Ward at Windsor have been mainly patched as opposed to renewed. In addition £0.6 million per year is required to redecorate the Principal Rooms at Buckingham Palace and Windsor but has been indefinitely deferred.

Conservation and repair projects

The Property Section continues to prioritise long term repair projects, including the renewal of lead and slate roofing; cleaning, repair and re-pointing of stonework; overhaul of windows; and the replacement of main services. In doing so, funding is spread over many years and the Property Section ensures that an adequate number of craftsmen are available from a limited pool in this country and access is maintained to the buildings.

Even so, the lack of funding means that these long term repair projects are not progressing as they should. Deferring these projects means that funding will need to be found on a larger scale in the future, with the risk that the scale of repair will be far greater. For example, leaks through a defective roof could lead to rot of structural timbers and damage to the interior.

Developing IT systems, incorporating a comprehensive property database

The financial system, installed in April 2003, will continue to be developed. The benefits of acquiring a new property database will be re-considered in 2007-08.

Enhancing environmental and waste management

Where services are being renewed, environmental issues are being considered. Following the replacement of the combined heat and power unit (CHP) at Buckingham Palace in 2005-06, the CHP unit at Windsor has also been upgraded, reducing consumption of electricity and allowing main boilers to be switched off during the summer. Flat plate heat exchangers are being installed at both sites in place of calorifiers to provide hot water and LED lighting is being introduced alongside low energy lamps. Water from the borehole at Buckingham Palace is being used to cool the wine cellars and will be used further 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 Household as a whole is considering various measures to further reduce its carbon footprint.

Queen Elizabeth The Queen Mother Memorial

The Royal Household, supported by the Department for Culture, Media and Sport, is managing the project for the construction of a permanent national memorial to Queen Elizabeth The Queen Mother, to be sited off The Mall in London. It is being funded by the sale of a coin marking the 80th birthday of The Queen in 2006.

An application was made for planning permission in April 2007, following consultation with various interested groups. Selected sculptors are working on their designs for approval during the autumn of 2007, when it is expected a start will be made on site. The memorial is due for completion in the summer of 2008.

A separate audited statement of income and expenditure has been prepared but is not included in this Annual Report as the expenditure is not a cost of the Monarchy.

MANAGING PROPERTY SERVICES

Operating Approach

The Royal Household's objectives in managing property services in the Occupied Royal Palaces are set out in the Memorandum of Understanding between the Lord Chamberlain and the Permanent Secretary of the Department of the Environment (now the Department for Culture, Media and Sport). They are as follows:

- (a) to maintain the 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
- (b) to that end 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 as specified.

The approach adopted to attain these objectives is to have a small and expert team of professional staff in the Household which 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 Property Section, the branch of the Royal Household set up in 1991 to take on responsibility for the maintenance of, and related services to, the Occupied Royal Palaces in England, seeks to set the highest standards in terms of quality of design and building work, efficiency and cost effectiveness. The 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 generally maximising job satisfaction.

Senior Management

The group responsible for the management of the Grant-in-aid and the Royal Household's Property Section during 2006-07 comprised:

- | | |
|--|--|
| • Director of the Property Section | Graham Sharpe |
| • Deputy Treasurer to The Queen | Stephen Cawley |
| • Assistant Treasurer to The Queen | Susan Glaum |
| • Property Manager, Buckingham Palace and St. James's Palace (and Kensington Palace from 6 October 2006) | Roy Brown |
| • Property Manager, Windsor Castle, Hampton Court Mews and Paddocks (and Kensington Palace until 5 October 2006) | Richard Mole until 5 October 2006
David Black from 6 October 2006 |
| • Health and Safety Manager | Phil Elsdon from 2 January 2007 |

Overall supervision and direction is the responsibility of the Keeper of the Privy Purse, Sir Alan Reid.

Audit Committee

The Audit Committee comprises three members, Nigel Turnbull (non-executive Chairman and Chairman of the Turnbull Committee which produced the Corporate Governance report on Internal Control), Air Vice-Marshal David Walker and Brigadier Sir Miles Hunt-Davis, and reports to the Lord Chamberlain's Committee. It has overall responsibility for monitoring the effectiveness of the system of internal control, including financial, operational and compliance controls and risk management. 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 three times a year. Meetings are attended by the Head of Audit Services, the Keeper of the Privy Purse and the Deputy Treasurer to The Queen. Representatives from KPMG, who are the external auditors, attend twice a year. 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. During the year these have included reviews of personnel initiatives, maintenance of the Occupied Royal Palaces, and business continuity.

Training

Considerable emphasis is placed on training and an average of three days training was provided for all staff paid from the Grant-in-aid in 2006-07. This training covered subjects such as the maintenance of historic buildings, the use of computer software and keyboard skills, many aspects of safety in the workplace, interpersonal skills and horticultural work. For 2007-08 the objective is that staff will continue to receive an average of three days training.

Employment Policies

The Royal Household is committed to Equal Opportunities and all appointments and promotions are on merit. Applications for positions are invited from all sections of the community through recruitment open days and advertisements placed in national and specialist media and on the internet. Diversity in the workforce is encouraged and training in Equal Opportunities is provided to staff. The effectiveness of the Equal Opportunities policy is monitored.

All staff receive an annual review to assess performance and to identify career development opportunities and training requirements. Employment policies are communicated to all staff and are incorporated in an Employee Reference Manual.

Staff consultation is a key element of the Royal Household's employment policy with a number of channels of communication including bi-monthly team briefings held after the Lord Chamberlain's Committee meetings, a staff survey conducted every three years, regular small group discussions with the Lord Chamberlain and an annual meeting led by the Lord Chamberlain to which all staff are invited. Staff are kept informed of the performance of the Royal Household and are encouraged to contribute ideas and suggestions and to give feedback to senior management as part of the 'continuing improvement' approach. All staff paid from the Grant-in-aid will receive a summary of this report, whilst the full report is available on the Royal Household website.

FIRE, HEALTH AND SAFETY

Fire Protection

Automatic fire detection systems are installed throughout the Estate and are monitored continually to ensure they work effectively. The systems are maintained under fully comprehensive term contracts which are competitively tendered every three years. Systems are reviewed on an annual basis to ensure that they remain suitable for the risk and, if necessary, upgraded to current and appropriate standards.

Automatic fire suppression systems incorporating water sprinklers and drenchers and fixed installations using foam or inert gas, are installed in the main risk areas in kitchens and other high risk areas and to augment the provision of structural fire compartmentation.

The effectiveness of fire separation and compartmentation proved to be a major factor in the restriction of fire spread and reduction of damage during the fire that occurred at Buckingham Palace in June 2002.

Fire risk assessments and inspections are undertaken on a regular basis by in-house fire safety officers. Inspectors from the Fire Service Inspectorate, Crown Premises Inspection Group, also carry out inspections when appropriate. Fire Certificates remain in force for office accommodation at Buckingham Palace, Windsor Castle and St. James's Palace.

The fire safety strategies used within the Occupied Royal Palaces continue to rely on effective fire prevention practice, early detection, training, active and passive protection methods and risk management. 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 Fire, Health and Safety Branch. This team is supported by first aiders, fire marshals and safety representatives within all departments across the Occupied Royal Palaces. Proactive consultation is undertaken through the Health and Safety Committee Meetings which take place in London, Windsor and Edinburgh every four months. 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 is the current focus of attention. The Fire, Health and Safety Branch is heavily involved in providing support and carrying out risk assessments in all areas of the Royal Household's activities, supported by specialist consultants where necessary. The branch also occasionally undertakes the role of CDM Coordinator on projects that fall within the requirements of the Construction (Design and Management) Regulations 2007. The remaining projects are contracted to competent consultants.

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 a + or – they are quantifying the movement in the expenditure compared with the previous year.

<i>Year to 31st March</i>	2007 <i>Target</i> %	2007 Actual %	2006 Actual %
Funding			
Movement in voted Grant-in-aid receivable in:			
• absolute terms	–	-0.7	-0.7
• real terms	-4.0	-6.6	-4.1
Property Maintenance			
Fees and other indirect costs as a percentage of construction costs	18.0	18.0	17.6
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	70	76	80
• the greater of £20,000 and 10% of the let tender amount	100	100	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	–	-8.5	+3.0
Energy Consumption			
Movement in electricity costs in real terms	–	-1.8	-1.8
Movement in gas costs in real terms	–	-6.2	-6.7
Movement in water costs in real terms	–	-6.0	+4.1
Supplier Payments			
Percentage paid within:			
• 30 days	85	88	94
• 40 days	95	96	97
• 50 days of receipt of invoice	97	97	98
Average Weekly Number of AFD Activations	8	6	6
Staff Numbers	111	108	110

All fifteen of the performance indicators set for 2006-07 (fourteen in 2005-06) were met or bettered.

Adjustments to restate expenditure in real terms have been made using the inflation indices given on page 90. Explanations of the performance indicators, where required, are given below.

Fees and other indirect costs percentage (or ratio)

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 ratio 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 cost increased 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 ratio 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 70% 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 meets 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 2006-07 for the Estate was 6 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 31st March</i>		2007	2006
			restated
	Note	£m	£m
Amount of Revenue Grant-in-aid voted by Parliament		15.0	15.1
Capital Grant-in-aid drawn		<u>0.2</u>	<u>–</u>
Grant-in-aid drawn down		<u>15.2</u>	<u>15.1</u>
Property Maintenance			
Projects and general maintenance	2	8.7	8.7
Less: visitor contribution		(1.8)	(1.4)
Supervision		<u>1.5</u>	<u>1.5</u>
		8.4	8.8
Utilities		2.4	2.1
Fire, health and safety services		1.3	1.2
Non-domestic rates		0.7	0.8
Court Post Office		0.7	0.7
Gardens		0.7	0.6
Furniture and equipment		0.6	0.5
Central administration		0.5	0.4
Rent and other recoveries		<u>(0.8)</u>	<u>(0.8)</u>
Total net expenditure	2, 5	<u>14.5</u>	<u>14.3</u>
Net funding for fixed assets and working capital	0	<u>0.7</u>	<u>0.8</u>

Total net expenditure in 2006-07 includes approximately £1.8 million in respect of VAT (£1.7 million in 2005-06).

The accounting policies are summarised on pages 71 to 73. 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 68, 69 and 70 respectively.

The results shown above relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31st March</i>		2007	2006
	Note	£m	£m
Net funding for fixed assets and working capital		0.7	0.8
Actuarial gain for the year	4	0.6	–
Total recognised gains relating to the year		<u>1.3</u>	<u>0.8</u>
Prior year adjustment	10	(2.2)	
Total net losses recognised since last annual report		<u>(0.9)</u>	

BALANCE SHEET

As at 31st March

		2007	2006
			restated (see note 1(b))
	Note	£m	£m
Fixed assets	6	9.6	9.7
Current assets			
Debtors	7	2.9	2.3
		2.9	2.3
Creditors : amounts falling due within one year	8	(2.9)	(2.7)
Net current liabilities		—	(0.4)
Total assets less current liabilities excluding pension scheme liability		9.6	9.3
Pension scheme liability	4	(1.6)	(2.2)
Net assets		8.0	7.1
Funds contributed by or (required from) the Department for Culture, Media and Sport			
Fixed asset reserve		9.6	9.7
Pension scheme deficit	4	(1.6)	(2.2)
Required to meet net current liabilities		—	(0.4)
	9	8.0	7.1

CASH FLOW STATEMENT

<i>Year to 31st March</i>	2007	2007	2006	2006
	£m	£m	£m	£m
Reconciliation of total net expenditure to Grant-in-aid				
Total net expenditure		(14.5)		(14.3)
Interest income	(0.1)		(0.1)	
Depreciation charges	0.4		0.4	
Increase in debtors	(0.6)		(0.2)	
Decrease in creditors	—		(0.6)	
		(0.3)		(0.5)
Net cash outflow from activities		(14.8)		(14.8)
Interest received		0.1		0.1
Capital expenditure – fixed assets acquired		(0.7)		(0.4)
Net cash outflow before financing		(15.4)		(15.1)
Grant-in-aid drawn down		15.2		15.1
Decrease in cash		(0.2)		—
Reconciliation of cash balances		2007		2006
		£m		£m
Cash at bank as at start of year		(0.5)		(0.5)
Net decrease in cash		(0.2)		—
Cash at bank as at 31st March		(0.7)		(0.5)

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 except for the pension scheme liability as explained in note 1(b) below.

a) Basis of preparation

The accounts 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, in line with the requirements of Government Resource Accounting.

b) Prior year adjustment

The Royal Households Group Pension Scheme has several employers. At the time of preparing the last annual report for the Grant-in-aid the latest actuarial valuation available for the scheme was as at 1st January 2003 which did not identify the Grant-in-aid's share of the underlying assets and liabilities in the scheme. Following the recent valuation of the Royal Households Group Pension Scheme as at 1st January 2006, it is now possible to identify the Grant-in-aid's share of assets and liabilities as at and from 31st March 2006. Accordingly, the scheme has been accounted for as a defined benefit scheme under FRS17: Retirement benefits from this date. The deficit at 31st March 2006 has been recognised through the Statement of Total Recognised Gains and Losses on page 68 and the comparative Balance Sheet restated to reflect the change in circumstances. The comparative figures in the Income and Expenditure Account have not been restated as no information on the Grant-in-aid's share of actuarial gains and service costs prior to 31st March 2006 are available. Further detail on the scheme is given in notes 1(e) and 4.

c) 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.

d) Visitor contribution towards maintenance

Transfers of monies by the Royal Collection Trust to the Grant-in-aid from the arrangements for charging for entry to the Precincts of Windsor Castle are recognised on an accruals basis.

e) Pensions costs

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 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 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 group pension scheme taking the assets at their year-end bid-values and liabilities at their actuarially calculated values discounted at year-end AA corporate bond index.

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 note 4.

f) Leases

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

g) Cost of capital

HM Treasury requires Non-Departmental Public Bodies ('NDPB') to make a notional charge in their accounts for the cost of capital employed in their activities. In view of the funding arrangements for the Royal Household, which is not an NDPB, together with the fact that the Palaces are held by The Queen in trust for the Nation, it is not considered appropriate to include such a charge in the accounts.

h) Fixed assets

The Estate is not attributed any value in the Balance Sheet as the land and buildings are held by The Queen in trust for the Nation and cannot be sold. HM 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.

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 82.

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(k)) has been charged directly to the reserve which was established at that time.

i) Stock

Stock has not been included in the Balance Sheet on the grounds of materiality.

j) Bank overdraft

The Grant-in-aid did not have an overdraft with, or any borrowings from, its banker. The disclosed bank overdraft at 31st March 2007 and 2006 arose from the notional allocation of cash between the three parts of the Grant-in-aid.

k) 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 31st March</i>	Total costs		Maintenance projects	
	2007	2006	2007	2006
	£m	£m	£m	£m
Buckingham Palace	6.4	5.9	2.5	1.6
Buckingham Palace Mews and Gardens	1.8	1.5	0.3	0.4
St. James's Palace	1.5	1.5	0.5	0.6
Clarence House and Marlborough House Mews	0.3	0.3	0.1	–
Kensington Palace	(0.1)	(0.1)	0.1	0.1
Hampton Court Mews and Paddocks	0.3	0.3	0.1	0.2
Windsor Castle	3.6	3.8	1.4	1.8
Windsor Castle Royal Mews	0.5	0.5	0.3	0.3
Windsor Home and Great Parks	1.0	1.0	0.4	0.3
Central costs	1.0	1.0	–	–
	16.3	15.7	5.7	5.3
Visitor contribution	(1.8)	(1.4)	–	–
	14.5	14.3	5.7	5.3

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

<i>Year to 31st March</i>	2007	2006
	£m	£m
Energy conservation	0.3	0.3
Fire precaution	0.1	0.1
Health and safety	0.7	0.3
Housing	0.6	0.5
Offices and workshops	0.4	0.9
General maintenance	3.6	3.2
	5.7	5.3

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 31st March</i>	2007		2006
	Capital £m	Revenue £m	Revenue £m
Maintenance projects with a cost of £3,500 or more:			
• Construction	0.1	5.4	5.0
• Fees	0.2	0.3	0.3
	0.3	5.7	5.3
Less: transfers to fixed assets	(0.3)	(0.4)	(0.4)
Add: depreciation	–	0.1	0.1
	–	5.4	5.0
General maintenance	–	3.3	3.7
Total projects and general maintenance	–	8.7	8.7

There was no capital grant funded maintenance expenditure in 2005-06.

3. STAFF NUMBERS AND COSTS

Establishment

The number of staff paid from the Grant-in-aid was as set out below.

<i>As at 31st March</i>	Number of staff	
	2007	2006
Administration, Accounting and Telephone Operators	12	13
Property Maintenance Central Unit	3	3
Buckingham Palace and St. James's Palace Maintenance Office	36	36
Kensington Palace, Hampton Court and Windsor Castle Maintenance Office	20	21
Fire, Health and Safety Services	22	22
Craftsmen	15	15
	108	110

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.

The Property Maintenance Central Unit is responsible for the overall management of the two Maintenance Offices and for project managing larger jobs with a construction cost of approximately £2 million or more. Smaller maintenance projects are the responsibility of the Maintenance Offices.

Payroll Costs

<i>Year to 31st March</i>	2007	2006
	£m	£m
Salaries	2.8	2.8
Less: housing abatements and charges	(0.2)	(0.2)
Overtime	0.3	0.3
National Insurance	0.3	0.3
Pension contributions	0.7	0.6
	3.9	3.8

Housing abatements and charges are deductions from salaries in respect of the provision of residential accommodation. The majority of the paid overtime arises from attendance at evening receptions and weekend working, for example when the Buckingham Palace State Apartments are open to the public, together with cover for leave and sickness absences for 24 hour shift workers (telephone operators and fire surveillance officers). £0.3 million of the above costs (£0.2 million in 2005-06) 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 31st March</i>	2007	2006
	£m	£m
Projects and general maintenance	0.6	0.6
Supervision	1.0	1.0
Utilities	0.3	0.3
Fire, health and safety services	0.9	0.8
Gardens	0.4	0.4
Furniture and equipment	0.5	0.5
Central administration	0.2	0.2
	3.9	3.8

Executive Pay

Salaries for the executives of the Property Section, who are both members of the Royal Households Group Pension Scheme, are set out below.

<i>Year to / as at 31st March</i>	Age	Salary		Pension at 60 accrued to date			
				Annual pension		Lump sum	
		2007	2006	2007	2006	2007	2006
		£'000	£'000	£'000	£'000	£'000	£'000
Director of the Property Section	46	86	79	19	16	—	—
Deputy Treasurer to The Queen	60	45	39	—	4	—	—

An abatement in respect of housing of £24,000 (£22,000 in 2005-06) was deducted from the salary of the Director of the Property Section. The above figures for the Deputy Treasurer to The Queen represents 40% of his salary which is borne by the Grant-in-aid.

£25,000 (£24,000 in 2005-06) of the Keeper of the Privy Purse's salary, including pension and national insurance contributions, is charged to the Grant-in-aid through the Civil List management charge referred to on page 84.

Other salaries for higher paid employees, which are before the deduction of abatements and other charges in respect of housing, fell into the following bands.

Year to 31st March	Number of staff	
	2007	2006
£65,001 - £70,000	1	—
£60,001 - £65,000	—	2
£55,001 - £60,000	—	1
£50,001 - £55,000	1	—

4. 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

Employees who transferred from the Department of the Environment or the Property Services Agency ('PSA') when the Royal Household's Property Section was established are members of this scheme. 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 19.7% of pensionable pay (19.7% in 2005-06), 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, 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 costs will increase as the members approach retirement. The most recent completed valuation was as at 1st January 2006. 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 1.7% per annum post retirement and 3.2% 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 £24.5 million and that this value of the assets was sufficient to cover 69% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Following this valuation, the employer's contribution rate in respect of staff employed by Property Section was set at 27.6% from 1st January 2007 (previously 22.8%), plus an index linked annual payment of £126,000 (previously £98,000 index linked annual payment from 1st January 2004 shared by both the Property Services and Royal Travel Grants-in-aid) and the benefit accrual rate was reduced from 1/60 to 1/70 for each year of service from 1 April 2007. It is believed that these measures will be sufficient to eliminate the Property Section's share of the past service deficit of £1.6 million over 15 years and meet the current service cost.

The scheme has several employers and in the previous actuarial valuation dated 1st January 2003 it was not possible to identify the Grant-in-aid's share of the underlying assets and liabilities in the scheme. As permitted by paragraph 5.3 of FRS 17: Retirement Benefits, this scheme was accounted for in previous years as if it were a defined contribution scheme. However, in the latest actuarial valuation it has been possible to identify the Grant-in-aid's share of the underlying assets and liabilities in the scheme and the scheme is now accounted for as a defined benefit scheme.

The valuation used for this disclosure has been based on the most recent actuarial review of the Royal Households Group Pension Scheme as at 1st January 2006 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 Property Section of the scheme at 31st March 2007. Scheme assets in respect of the Property section of the scheme are stated at their market values at 31st March 2007.

Actuarial assumptions adopted as at 31st March	2007	2006
Discount rate	5.4% pa	4.9% pa
Rate of general long-term increase in salaries	4.7% pa	4.5% pa
Rate of price inflation	3.2% pa	3.0% pa
Rate of increase to pensions in payment (pre 1993 service)	5.0% pa	5.0% pa
Rate of increase to pensions in payment (post 1993 service)	3.2% pa	2.9% pa

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 fair value of the assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, have been determined by the actuary as follows.

Main asset categories	Long term rate of return expected as at 31st March		Value as at 31st March	
	2007	2006	2007	2006
			£m	£m
Equities	7.7% pa	7.3% pa	4.4	3.9
Property	6.7% pa	6.3%pa	0.1	0.0
Government Bonds	4.7% pa	4.3% pa	1.0	0.9
Other	5.5% pa	4.6% pa	0.1	0.1
Total assets			5.6	4.9
Liabilities			(7.2)	(7.1)
			<u>(1.6)</u>	<u>(2.2)</u>

There is therefore a net pension liability of £1.6 million as at 31st March 2007 (£2.2 million as at 31st March 2006). The amount of this net pension liability has a consequential effect on reserves.

Analysis of amounts charged against expenditure

Year to 31st March	2007
	£m
Current service cost	(0.4)
Total operating charge	<u>(0.4)</u>

Analysis of amounts credited to other finance income

Year to 31st March	2007
	£m
Expected return on scheme assets	0.3
Interest on pension scheme liabilities	(0.3)
Net return	<u><u>—</u></u>

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

	2007
	£m
Deficit as at 1st April 2006	(2.2)
Movement in year:	
Current service cost	(0.4)
Contributions	0.4
Actuarial gain	0.6
Deficit as at 31st March	<u><u>(1.6)</u></u>

The actuarial gain in the year comprises:

Year to 31st March	2007
	£m
Actual return less expected return on assets	—
Experience gains and losses arising on the liabilities	0.1
Change in assumptions underlying the present value of the liabilities	0.5
Actuarial gain	<u><u>0.6</u></u>

History of experience gains and losses

Year to 31st March	2007
There was no difference between the expected and actual return on scheme assets during the year	
Experience gains on pension liabilities expressed as a percentage of the present value of the liabilities	
Amount (£m)	0.1
Expressed as a percentage of scheme assets	1.4%
Total actuarial gain expressed as a percentage of the present value of liabilities	
Amount (£m)	0.6
Expressed as a percentage of scheme assets	8.3%

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.

5. TOTAL NET EXPENDITURE

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

<i>Year to 31st March</i>	2007	2006
	£m	£m
Interest	(0.1)	(0.1)
Depreciation	0.4	0.4

Since July 2006 the Grant-in-aid has been paid monthly in advance. Prior to this date it was paid quarterly in advance. A working capital management system ensures that funds are placed on overnight deposit to the greatest extent possible. The Auditors’ remuneration for the audit was £65,000 (£62,000 in 2005-06). There were no additional fees paid to the auditors during 2006-07 (nil in 2005-06).

6. FIXED ASSETS

Asset category	AFD	Fire comp	Projects	Refurb	Plant & lifts	Water mains	IT	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost								
At 1st April 2006	7.0	6.7	4.6	1.1	1.5	0.2	0.8	21.9
Additions	—	—	0.4	—	0.3	—	—	0.7
Disposals	—	—	(0.5)	—	—	—	—	(0.5)
At 31st March 2007	7.0	6.7	4.5	1.1	1.8	0.2	0.8	22.1
Depreciation								
At 1st April 2006	6.9	1.9	1.1	0.8	0.7	—	0.8	12.2
Charge for the year	0.1	0.2	0.3	0.1	0.1	—	—	0.8
Disposals	—	—	(0.5)	—	—	—	—	(0.5)
At 31st March 2007	7.0	2.1	0.9	0.9	0.8	—	0.8	12.5
Net book value								
At 31st March 2007	—	4.6	3.6	0.2	1.0	0.2	—	9.6
At 1st April 2006	0.1	4.8	3.5	0.3	0.8	0.2	—	9.7

Explanation of abbreviations used above

“Fire comp” refers to fire compartmentation. “Projects” refers to various projects in which building improvement has occurred and “Refurb” refers to the betterment element for properties which are to be commercially let.

Projects includes £0.3 million in respect of Assets in the course of construction funded from the Capital Grant being drawn. These assets will be depreciated from the date of completion.

Of the fixed asset depreciation of £0.8 million, £0.4 million has been charged to the Income and Expenditure Account and £0.4 million to the Fixed Asset Reserve.

7. DEBTORS

<i>As at 31st March</i>	2007	2006
	£m	£m
Recharges	0.2	0.4
Amounts owed by related parties (see note 11)	2.7	1.9
	2.9	2.3

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

<i>As at 31st March</i>	2007	2006
	£m	£m
Bank overdraft	0.7	0.5
Suppliers and accruals	2.0	2.0
Amounts owed to related parties (see note 11)	0.1	0.1
Other creditors including taxation	0.1	0.1
	2.9	2.7

9. RESERVES

Funds contributed by or (required from) the Department for Culture, Media and Sport	Fixed asset reserve	For net current liabilities	Pension scheme deficit	Total
	£m	£m	£m	£m
As at 1st April 2006	9.7	(0.4)	–	9.3
Prior Year adjustment for FRS17: Retirement benefits	–	–	(2.2)	(2.2)
As at 1st April 2006 (restated)	9.7	(0.4)	(2.2)	7.1
Actuarial gain on Group Pension Scheme	–	–	0.6	0.6
Depreciation charged directly to fixed asset reserve	(0.4)	–	–	(0.4)
Net funding for working capital	0.3	0.4	–	0.7
As at 31st March 2007	9.6	–	(1.6)	8.0

10. COMMITMENTS

<i>As at 31st March</i>	2007	2006
	£m	£m
Contractual commitments:		
• Contracted	2.0	0.7
• Authorised but not contracted	2.5	2.6

11. 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.

	2007 £m	2006 £m	2007 £m	2006 £m
	Balance due from:		Recoveries from:	
Civil List	0.1	–	0.1	0.1
Royal Collection Trust and Royal Collection Enterprises	2.4	1.8	2.5	2.0
Privy Purse	0.1	0.1	0.3	0.3
Other Royal Households	0.1	–	0.1	–
	Balance due to:		Charged by:	
Civil List	0.1	0.1	0.7	0.9
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 visitor contribution to maintenance, reimbursement of The Queen's Gallery development costs, recovery of property refurbishment and maintenance services costs, and 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 charged for various services provided by Civil List staff including accounting, payroll, internal audit, personnel, catering and 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, have undertaken any material transactions with the Grant-in-aid during the year.

12. CONTINGENT LIABILITIES

The Grant-in-aid had no contingent liabilities at the year end (2005-06: nil).

FIVE YEAR INFORMATION

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>	2007	2006	2005	2004	2003
	£m	£m	£m	£m	£m
Amount of Revenue Grant-in-aid voted by Parliament	15.0	15.1	15.2	15.3	15.4
Advance drawn against 2004-05 Grant	—	—	(0.7)	0.7	—
Capital Grant drawn	0.2	—	—	—	—
Grant-in-aid drawn down	15.2	15.1	14.5	16.0	15.4
Property Maintenance					
Projects with a cost of £3,500 or more:					
• construction	5.4	5.0	5.7	5.4	6.4
• fees	0.3	0.3	0.3	0.4	0.7
	5.7	5.3	6.0	5.8	7.1
Less: transfers to fixed assets	(0.4)	(0.4)	(0.2)	(0.1)	(0.3)
Add: depreciation	0.1	0.1	0.1	0.1	0.1
General maintenance	3.3	3.7	3.4	3.4	2.9
Less: visitor contribution	(1.8)	(1.4)	(1.1)	(0.8)	(1.3)
Supervision	1.5	1.5	1.3	1.5	1.4
	8.4	8.8	9.5	9.9	9.9
Utilities	2.4	2.1	2.0	1.9	1.7
Fire, health and safety services	1.3	1.2	1.1	1.1	1.0
Non-domestic rates	0.7	0.8	(0.2)	0.7	1.1
Court Post Office	0.7	0.7	0.7	0.6	0.6
Gardens	0.7	0.6	0.6	0.6	0.5
Furniture and equipment	0.6	0.5	0.5	0.5	0.6
Central administration	0.5	0.4	0.4	0.5	0.4
Rent and other recoveries	(0.8)	(0.8)	(0.7)	(0.6)	(0.2)
Total net expenditure	14.5	14.3	13.9	15.2	15.6
Net funding for/(from) fixed assets and working capital	0.7	0.8	0.6	0.8	(0.2)

PROPERTY MAINTENANCE

Maintenance projects expenditure analysed by category of expenditure

<i>Year to 31st March</i>	2007	2006	2005	2004	2003
	£m	£m	£m	£m	£m
Energy conservation	0.3	0.3	0.1	0.1	0.1
Fire precautions	0.1	0.1	0.1	0.1	0.3
Health and safety	0.7	0.3	0.5	0.2	0.4
Housing	0.6	0.5	0.5	1.5	1.2
Offices and workshops	0.4	0.9	1.7	2.2	2.1
General maintenance	3.6	3.2	3.1	1.7	3.0
	5.7	5.3	6.0	5.8	7.1

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 31st March</i>	2007	2006	2005	2004	2003
	£m	£m	£m	£m	£m
Buckingham Palace	2.5	1.6	1.6	1.5	1.9
Buckingham Palace Mews and Gardens	0.3	0.4	0.4	0.5	0.5
St. James's Palace	0.5	0.6	1.5	0.2	0.6
Clarence House and Marlborough House Mews	0.1	—	0.3	2.6	2.2
Kensington Palace	0.1	0.1	0.1	0.2	0.2
Hampton Court Mews and Paddocks	0.1	0.2	0.2	0.1	—
Windsor Castle	1.4	1.8	0.9	0.1	0.7
Windsor Castle Royal Mews	0.3	0.3	0.5	0.1	0.2
Windsor Home and Great Parks	0.4	0.3	0.5	0.5	0.8
	5.7	5.3	6.0	5.8	7.1

ANALYSIS BY PALACE

<i>Year to 31st March</i>	2007	2006	2005	2004	2003
	£m	£m	£m	£m	£m
Buckingham Palace	6.4	5.9	5.2	6.1	5.9
Buckingham Palace Mews and Gardens	1.8	1.5	1.4	1.6	1.5
St. James's Palace	1.5	1.5	2.2	0.8	1.6
Clarence House and Marlborough House Mews	0.3	0.3	0.6	2.7	2.3
Kensington Palace	(0.1)	(0.1)	(0.1)	0.1	0.5
Hampton Court Mews and Paddocks	0.3	0.3	0.3	0.3	0.1
Windsor Castle	3.6	3.8	3.0	2.1	2.3
Windsor Castle Royal Mews	0.5	0.5	0.4	0.3	0.5
Windsor Home and Great Parks	1.0	1.0	1.0	1.0	1.2
Central costs	1.0	1.0	1.0	1.0	1.0
	16.3	15.7	15.0	16.0	16.9
Visitor contribution	(1.8)	(1.4)	(1.1)	(0.8)	(1.3)
	14.5	14.3	13.9	15.2	15.6

STAFF NUMBERS AND COSTS

Establishment

	Number of staff				
<i>As at 31st March</i>	2007	2006	2005	2004	2003
Administration, Accounting and Telephone Operators	12	13	13	14	15
Property Maintenance Central Unit	3	3	3	3	4
Buckingham Palace and St. James's Palace Maintenance Office	36	36	35	35	39
Kensington Palace, Hampton Court and Windsor Castle Maintenance Office	20	21	20	21	21
Fire, Health and Safety Services	22	22	24	24	23
Craftsmen	15	15	15	15	15
	108	110	110	112	117

Payroll Costs

<i>Year to 31st March</i>	2007	2006	2005	2004	2003
	£m	£m	£m	£m	£m
Salaries	2.8	2.8	2.6	2.8	2.7
Less: housing abatements and charges	(0.2)	(0.2)	(0.1)	(0.1)	(0.2)
Overtime	0.3	0.3	0.3	0.2	0.3
National Insurance	0.3	0.3	0.2	0.2	0.2
Pension contributions	0.7	0.6	0.6	0.6	0.5
	3.9	3.8	3.6	3.7	3.5

PERFORMANCE INDICATORS AND OPERATING RATIOS

<i>Year to 31st March</i>	2007 %	2006 %	2005 %	2004 %	2003 %
Funding					
Movement in voted Grant-in-aid in:					
• absolute terms	-0.7	-0.7	-0.7	-0.6	-0.6
• real terms	-6.6	-4.1	-8.4	-4.5	-8.6
Property Maintenance					
Fees and other indirect costs as a percentage of construction costs	18.0	17.6	17.0	17.7	19.2
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	76	80	78	71	75
• the greater of £20,000 and 10% of the let tender amount	100	98	100	95	96
Percentage of fixed price contracts with construction cost of £25,000 or more let without competitive tendering	—	—	—	7.7	—
Telephones					
Movement in costs in real terms	-8.5	+3.0	-5.3	-0.5	+10.4
Energy Consumption					
Movement in electricity costs in real terms	-1.8	-1.8	-11.0	-6.8	+1.9
Movement in gas costs in real terms	-6.2	-6.7	-2.6	-5.4	+0.9
Movement in water costs in real terms	-6.0	+4.1	-4.3	-4.0	-7.5
Supplier Payments					
Percentage paid within:					
• 30 days	88	94	87	83	87
• 40 days	96	97	95	94	95
• 50 days of receipt of invoice	97	98	97	97	98
Average Weekly No. of AFD activations	6	6	7	7	6
Staff Numbers	108	110	110	112	117

Adjustments have been made to restate expenditure in real terms using the inflation indices given on page 90.

INFLATION INDICES

		2006-07	2005-06	2004-05	2003-04	2002-03
		%	%	%	%	%
Inflation index						
Retail Price	(a)	3.9	2.1	2.5	2.1	3.0
Tender price ¹	(b)	3.6	0.4	13.1	4.2	15.2
Building cost	(b)	5.8	5.0	7.5	4.4	6.0
Pay	(c)	2.9	3.2	2.5	3.2	2.5
Electricity	(d)	48.3	17.4	41.8	20.6	0.0
Gas	(d)	28.4	20.2	25.3	4.5	4.8
Water	(d)	4.5	20.6	2.3	1.2	0.8
Telephones	(d)	0.0	1.7	3.0	0.0	2.5

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 Tender Price index is applied to all Property Maintenance expenditure except for General Maintenance and Supervision. The Building Cost index is applied to the external contractor element of General Maintenance expenditure. The Pay index is applied to payroll costs, the relevant utility indices to utilities, 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 31st March is not available by the time the annual report is published, the figure for the previous calendar year is used.

ROYAL COMMUNICATIONS AND INFORMATION

INTRODUCTION

Royal Communications and Information is the annual funding for communication and information services in connection with official royal functions and engagements.

The Royal Household incurs expenditure developing and running an overall communications programme, maintaining a Press Office (to liaise with and provide information to the Press and other media), developing the Royal 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 an overall communications programme are charged to the Civil List. Other costs are charged to the Royal Communications and Information part of the Grant-in-aid. The division of costs between the two funding sources is historic.

SUMMARY, OPERATING AND FINANCIAL REVIEW, AND FUTURE DEVELOPMENTS

SUMMARY

Expenditure remains at £0.5 million for the year under review (£0.5 million in 2005-06). Of the £0.5 million, £0.1 million (23%)¹ (£0.1 million or 24% in 2005-06) was spent on the services in respect of information officer support for royal visits in England and Scotland. A further £0.4 million (73%) (£0.4 million or 73% in 2005-06) was spent on general communications, mainly salary costs and web site costs; and 4% was spent on Administration mainly accountancy and audit fees.

OPERATING AND FINANCIAL REVIEW

Royal Visits

Government News Network ('GNN') was previously commissioned by the Royal Household to provide media facilities covering official visits by Members of the Royal Family throughout England; the Scottish Executive deal with royal visits to Scotland. Separate arrangements apply for royal visits to Wales and Northern Ireland. During 2003-04 GNN services covering The Queen's official visits throughout England were phased out and in 2004-05 The Queen's engagements were fully covered by the Buckingham Palace Press Officers.

The GNN currently provides:

- (a) electronic and conventional press announcements distributed to national and regional media; 74 press announcements were made in this way (106 in 2005-06); and

¹ Ratios are based on actual numbers rather than those rounded to nearest £0.1million

- (b) daily media summaries of current news stories for The Prince of Wales when he is on official visits overseas. (Similar summaries are produced by the FCO for The Queen, when on official visits overseas).

General Communications

The Press Office salaries comprise those paid directly and recharges as explained on page 93.

The Royal Web Site 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 press announcements and a history section on the English, Scottish and United Kingdom Crowns. Since the redeveloped web site was opened by The Queen in November 2001, in-house editing using authoring software has become an established feature enabling topical additions to be made to the monthly Royal Web Site news magazine in between editions. The web site attracts 250,000 visitors and around 1.5 million pages viewed per week.

In 2006-07, special projects included preparation for the complete redevelopment of the Monarchy Today section, including the addition of streaming video and audio. In addition to this, The Duke of York's business micro site was launched in February 2007, focusing on HRH's work as the UK's Special Representative for UK Trade and Investment.

Other recent public information projects have included the production of professionally designed information sheets and posters intended for children. This material, published in September 2004, is being distributed to pupils and children who request information about The Queen and the Monarchy.

FUTURE DEVELOPMENTS

Future and current developments include:

- Complete redesign and rebuild of the British Monarchy web site, including improved accessibility, allowing visitors with visual and motor difficulties to use the site;
- the creation of additional video and audio content, including possible podcasts, and the production of interactive features to enrich the presentation of ceremonies and symbols.

MANAGING ROYAL COMMUNICATIONS AND INFORMATION

Operating Approach

The Royal Household's objectives in managing communications and information expenditure are set out in the Memorandum of Understanding and Financial Memorandum dated 28th September 2006 which consolidated the three parts of the Grant-in-aid and which superseded those dated 24th July 1998 between the Lord Chamberlain and the Chief Executive of the Central Office of Information. The objectives of 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.

Senior Management

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

The group responsible for the management of communications and information during 2006-07 comprised:

- | | |
|--------------------------------------|---------------------|
| • Communications and Press Secretary | Penny Russell-Smith |
| • Deputy Treasurer to The Queen | Stephen Cawley |
| • Assistant Treasurer to The Queen | Susan Glaum |

The Queen's Private Secretary, Rt. Hon. Sir Robin Janvrin, has overall responsibility for policy matters and the Keeper of the Privy Purse, Sir Alan Reid, for financial matters.

Personnel

In addition to the Communications and Press Secretary and her assistant, there is a Deputy Press Secretary and two Assistant Press Secretaries, three Press Officers, one Information Secretary (based in Scotland), two Information Officers, one Web Site Editor and one Deputy Web Editor, and one Assistant Press Officer. Four are paid directly by the Grant-in-aid and ten are employed by the Civil List. For those ten Civil List employees, approximately 11% of their time is devoted and charged to Grant-in-aid duties.

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>		2007	2006
	Note	£m	£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		0.2	0.2
Web Site		0.1	0.1
Other		<u>0.1</u>	<u>0.1</u>
		0.4	0.4
Total net expenditure	2	<u>0.5</u>	<u>0.5</u>
Net funding for working capital		<u>—</u>	<u>—</u>

BALANCE SHEET

<i>As at 31st March</i>	2007	2006
	£m	£m
Current assets		
Cash at bank	0.1	0.1
Creditors : amounts falling due within one year		
Suppliers	(0.1)	(0.1)
	(0.1)	(0.1)
Net assets	<u>—</u>	<u>—</u>
Funds contributed by the Department for Culture, Media and Sport	<u>—</u>	<u>—</u>

CASH FLOW STATEMENT

	2007 £m	2006 £m
Reconciliation of total net expenditure to Grant-in-aid		
Total net expenditure	(0.5)	(0.5)
Net cash outflow from activities and before financing	(0.5)	(0.5)
Grant-in-aid drawn down	0.5	0.5
Increase 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 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) 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 relating to the pensions schemes are provided in notes 1 and 4 of the Property Section accounts.

2. TOTAL NET EXPENDITURE

The Auditors' remuneration for the audit was £2,000 (£2,000 in 2005-06). During 2005-06 and 2006-07 no other services were provided by the Auditors except for the audit.

3. PENSION ARRANGEMENTS

Three members of staff are directly employed by the Grant-in-aid. Details of the pension schemes operating for employees of the Royal Household are provided in note 4 to the Property Services accounts (page 77).

4. RELATED PARTY TRANSACTIONS

	2007 £m	2006 £m	2007 £m	2006 £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 and cleaning, IT and information systems 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.

MARLBOROUGH HOUSE

INTRODUCTION, SUMMARY AND FUTURE DEVELOPMENTS

INTRODUCTION

This is the annual funding introduced in 1999-00 to meet the cost of property maintenance at Marlborough House, which is occupied by the Commonwealth Secretariat and the Commonwealth Foundation. The maintenance was previously funded by the Department for Transport, Local Government and the Regions. As the Royal Household had a property services unit nearby, and as Marlborough House is held by The Queen as Sovereign, the Household agreed to take on responsibility for the maintenance of the building. The funding was accordingly transferred to the Department for Culture, Media and Sport so that it could be incorporated into the Royal Household's existing Grant-in-aid.

As for the maintenance of the Occupied Royal Palaces in England, the objectives were to facilitate value for money and improve accountability and transparency by enabling a detailed annual report to be published.

The Royal Household is only responsible for major building work and the Custody Guards. Costs in respect of minor and grounds maintenance, specialist term contracts, utilities and other sundry matters are recovered from the Commonwealth Secretariat.

The Royal Household maintains Marlborough House in effect as the Department for Culture, Media and Sport's contractor. The expenditure is not a cost of the Monarchy.

SUMMARY

The Grant-in-aid allocation for the year to 31st March 2007 was £0.6 million (£0.6 million in 2005-06), against which £0.4 million (£0.5 million in 2005-06) was spent, leaving a surplus of £0.2 million (surplus of £0.1 million in 2005-06). £0.1 million or 25%¹ (£0.2 million or 34% in 2005-06) was incurred on property maintenance, principally in respect of the renewal of lead roof coverings over the main reception hall, the external redecoration of the garden elevation and the upgrade of CCTV system. £0.3 million or 75% (£0.3 million or 66% in 2005-06) was spent on security cover.

FUTURE IMPROVEMENTS

The main works in the maintenance programme include the provision of a Building Management System, improvement of offices and external redecoration to the West Wing. In addition, works to renew lead roof coverings and to start AFD system improvements were carried out.

¹ Ratios are based on actual numbers rather than those rounded to the nearest £0.1million.

MANAGING MARLBOROUGH HOUSE

Operating Approach

The Royal Household's objectives in managing the maintenance of Marlborough House are set out in the revised Memorandum of Understanding dated 28th September 2006, which consolidated the Household's responsibilities in respect of the three parts of the Grant-in-aid, and are split between the Lord Chamberlain and the Permanent Secretary of the Department for Culture, Media and Sport. They are:

- (a) to maintain the building to a standard consistent with the Commonwealth Secretariat's operational requirements and with the architectural and historic status of the building in a manner which ensures value for money; and
- (b) to that end to organise and obtain works and other property services in the most economic, efficient and effective way.

Senior Management

Royal Household staff work closely with Commonwealth Secretariat staff in order to achieve the above aims. The group responsible for the management of this work on a day to day basis is:

- | | |
|------------------------------------|----------------|
| • Director of the Property Section | Graham Sharpe |
| • Deputy Treasurer to The Queen | Stephen Cawley |
| • Assistant Treasurer to The Queen | Susan Glaum |
| • Property Manager | Roy Brown |

The Keeper of the Privy Purse, Sir Alan Reid, has overall responsibility for financial and policy matters.

Personnel

No Royal Household staff work entirely on Marlborough House duties. The cost for time devoted to Marlborough House duties by Household staff is charged as a management fee.

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>	Note	2007 £m	2006 £m
Amount of Grant-in-aid voted by Parliament		<u>0.6</u>	<u>0.6</u>
Grant-in-aid drawn down		<u>0.6</u>	<u>0.6</u>
Property Maintenance			
Fees and construction		0.1	0.2
Security			
Custody Guards		0.3	0.3
Commonwealth Secretariat			
General maintenance		0.2	0.2
Recovered from Commonwealth Secretariat		<u>(0.2)</u>	<u>(0.2)</u>
		—	—
Total net expenditure		<u>0.4</u>	<u>0.5</u>
Net funding for working capital	2	<u>0.2</u>	<u>0.1</u>

BALANCE SHEET

<i>As at 31st March</i>	Note	2007 £m	2006 £m
Current assets			
Cash		0.7	0.5
Debtors		<u>0.1</u>	<u>0.1</u>
		0.8	0.6
Creditors : amounts falling due within one year			
Suppliers		<u>(0.1)</u>	<u>(0.1)</u>
Net assets		<u>0.7</u>	<u>0.5</u>
Funds contributed by the Department for Culture, Media and Sport	2	<u>0.7</u>	<u>0.5</u>

CASH FLOW STATEMENT

<i>Year to 31st March</i>	2007	2006
	£m	£m
Reconciliation of total net expenditure to Grant-in-aid		
Total net expenditure	(0.4)	(0.5)
Net cash outflow from activities and before financing	(0.4)	(0.5)
Grant-in-aid drawn down	0.6	0.6
Increase in cash	0.2	0.1

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.

Basis of preparation

The accounts 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.

2. RESERVES

Funds contributed by the Department for Culture, Media and Sport	£m
As at 1st April 2006	0.5
Net funding for working capital	0.2
As at 31st March 2007	0.7

3. COMMITMENTS

<i>As at 31st March</i>	2007	2006
	£m	£m
Contractual commitments:		
• Contracted	—	—
• Authorised but not contracted	0.2	0.1

STATEMENT ON INTERNAL CONTROL

A system of internal control is in place to safeguard the assets purchased from, and the funds of, the Grant-in-aid and to give reasonable assurance that the policies of the operations funded from the Grant-in-aid are implemented and their aims and objectives met.

The system of internal control is based on an ongoing process designed to (a) identify and evaluate the nature and extent of the risks to the achievement of the aims and objectives for operations funded from the Grant-in-aid, set out in its five year plan, and (b) manage these risks efficiently, effectively and economically. For reasons of cost and practicality the system of internal control is intended to manage rather than to eliminate the risks and to give reasonable rather than absolute assurance.

The Keeper of the Privy Purse has considered the following principal systems in reviewing the effectiveness of the system of internal control for the Grant-in-aid.

- **Control environment:** the operations funded from the Grant-in-aid have organisational structures with clearly defined levels of responsibility and authority and appropriate operational and financial reporting procedures. The Keeper of the Privy Purse delegates responsibility for the day to day running of the Grant-in-aid to the Management Group, which, for Property Services and the maintenance of Marlborough House, is headed by the Director of the Property Section and, for Royal Communications and Information is headed by the Communications and Press Secretary. The employees paid from the Grant-in-aid perform their duties with reference to agreed policies covering confidentiality and security, health and safety, and codes of conduct. Operating procedures and controls are documented for key processes in comprehensive Desk Instructions.
- **Financial reporting and information systems:** there are comprehensive planning and financial reporting procedures for expenditure from the Grant-in-aid, which include the preparation of an annual budget and a five-year plan, both of which are approved by the Lord Chamberlain's Committee. Quarterly results are reported against budget. Significant variances to budget and key performance indicators are examined quarterly by the Management Group to assess progress towards objectives and appropriate action is taken where required. Forecasts are regularly updated throughout the year, taking into account performance for the year to date.

- **Risk management:** the identification of major financial, legal, regulatory and operational risks within the operations funded from the Grant-in-aid has been completed. A risk and control assessment identifies the types of risks faced by the Grant-in-aid and weighting them in terms of potential impact and likelihood of occurrence. The Risk Register, which is derived from the risk and control assessment, documents the major risks to which the operations funded from the Grant-in-aid are exposed and the controls, insurance and/or strategies in place to manage such risks. A method of management reporting on the effectiveness of the controls in operation, and internal audit testing of the controls in operation are in place. The Risk Register is also revised and monitored in regular meetings by management.
- **Audit and supervision:** the Grant-in-aid is subject to extensive supervision and control. The Royal Household's management of the Grant-in-aid is subject to supervision by the Department for Culture, Media and Sport. The Household has an internal audit function which operates to standards defined in the Government Internal Audit Standards. The continuing risk assessment process undertaken by management forms the basis of the annual internal audit plan, which is approved by the Audit Committee. Progress in implementing internal audit recommendations is monitored by management and copies of internal audit reports are made available to the Department for Culture, Media and Sport. The Head of Internal Audit reports to the Committee annually on the adequacy of the internal control system and on whether any losses arising through misconduct, fraud or any other irregularity have been identified. Quarterly audits of property expenditure to check that the Desk Instructions and building regulations and technical standards have been complied with and value for money obtained are also undertaken by independent chartered surveyors. Independent surveys of fire precautions are undertaken by the Home Office for those buildings which require a fire certificate.

In his review of the effectiveness of the system of internal control, the Keeper of the Privy Purse takes account of the work of the internal auditors and managers who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The Keeper of the Privy Purse has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Sir Alan Reid

Keeper of the Privy Purse

7th June 2007

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

Under the terms of the Memorandum of Understanding and the Financial Memorandum in respect of Property Services, Royal Communications and the Maintenance of Marlborough House, dated 28th September 2006 which superseded the terms of: (a) the Memorandum of Understanding dated 14th March 1991 and the Financial Memorandum dated 26th March 1991 in respect of Property Services, (b) the Memorandum of Understanding and Financial Memorandum dated 24th July 1998 in respect of Royal Communications and Information, and (c) the transfer of responsibility for the maintenance of Marlborough House, the Keeper of the Privy Purse is responsible for ensuring that:

- the administration of the Grant-in-aid fully accords with Government Accounting and other guidance that may be notified to the Royal Household by the Department for Culture, Media and Sport;
- the Grant-in-aid is applied only for the purposes approved by the Lord Chamberlain and the Secretary of State for Culture, Media and Sport and set out in the Memoranda of Understanding;
- the 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 Grant-in-aid is used economically, efficiently and effectively to secure best value for money, in accordance with propriety and regularity;
- staff paid from the Grant-in-aid take financial considerations fully into account at all stages in framing, reaching and executing decisions in so far as the Grant-in-aid 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 Grant-in-aid funds and hence for taking reasonable steps to prevent and detect fraud and other irregularities. He is required to submit this annual report to the Lord Chamberlain and the Secretary of State for Culture, Media and Sport.

The 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
7th June 2007

REPORT OF KPMG LLP TO THE LORD CHAMBERLAIN

We have audited the Income and Expenditure Account for Property Services, the Income and Expenditure Account for Royal Communications and Information and the Income and Expenditure Account for Marlborough House on pages 67, 94 and 99 respectively, the Statement of Total Recognised Gains and Losses for Property Services on page 68, the Balance Sheets on pages 69, 94 and 99 respectively and the Cash Flow Statements on pages 70, 95 and 100 respectively and the related notes (“the accounts”) which have been prepared using the accounting policies set out on pages 71 to 73, 95 and 100 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

As described on page 103 the Keeper of the Privy Purse is responsible for preparing the Annual Report, and the accounts, which includes an account of the stewardship of the Grant-in-aid for the Maintenance of the Occupied Royal Palaces in England, for Royal Communications and Information, and for the Maintenance of Marlborough House (“the Grant-in-aid”). The Keeper of the Privy Purse is also responsible for ensuring the regularity of financial transactions.

Our responsibility is to audit the accounts in accordance with the terms of our engagement letter dated 30th March 2006 and International Standards on Auditing (UK and Ireland). Under the terms of our engagement letter we are required to report to you our opinion as to whether the accounts are fairly presented and have been properly prepared on the stated basis. We also report to you our opinion on certain other matters specified in our engagement letter and listed at (a) to (g) under our opinion below.

We review whether the statement on pages 101 and 102 reflects the Royal Household’s compliance with HM Treasury’s guidance *Corporate Governance: statement on internal control* in respect of the Grant-in-aid and we report if it does not. We are not required to form an opinion on the effectiveness of the Royal Household’s internal controls for the Grant-in-aid.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. 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 and disclosures in 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 Property Services, Royal Communications and Information and Marlborough House, 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. 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 present fairly the state of affairs of the Grant-in-aid at 31st March 2007 and the total net expenditure, total recognised gains and losses and cash flows for the year ended and have been properly prepared on the basis of the accounting policies set out on pages 71 to 73, 95 and 100.

In our opinion, in all material respects:

- (a) proper books and records have been maintained during the year ended 31st March 2007 by the Royal Household in respect of the Grant-in-aid net expenditures and balances;
- (b) the accounts are in agreement with the books of account and other relevant records;
- (c) the requirements of Government Accounting, as notified to the Royal Household by the Department for Culture, Media and Sport, have been complied with;
- (d) all information and explanations which we think necessary for the purpose of our audit have been obtained;
- (e) the information for the year ended 31st March 2007 for Property Services on pages 67 to 90, for Royal Communications and Information on pages 94 to 96, and for Marlborough House on pages 99 and 100, is consistent with the underlying books and records of The Royal Household;
- (f) the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding in respect of Property Services, Royal Communications and the Maintenance of Marlborough House, dated 28th September 2006 which superseded the terms of: (i) the Memorandum of Understanding dated 14th March 1991 in respect of Property Services, (ii) the Memorandum of Understanding dated 24th July 1998 in respect of Royal Communications and Information and (iii) the transfer of responsibility for the maintenance of Marlborough House; and
- (g) the Royal Household has observed the reporting requirements of the Financial Memoranda for the Grant-in-aid during the year ended 31st March 2007.

KPMG LLP
Chartered Accountants

London
7th June 2007

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

Annual Report 2006-07

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INTRODUCTION

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. The tenth annual report, for the year to 31st March 2007 (also referred to as 2006-07), dated 7th June 2007 is set out herein.

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. Up to 31st March 1997 these official royal travel costs were met by the Ministry of Defence, the Department of Transport and the Foreign and Commonwealth Office.

Responsibility for the expenditure was transferred to the Household with effect from 1st April 1997. The objectives were to:

- facilitate cost reductions and enhance value for money by matching financial and user responsibility; and
- improve accountability and transparency, and enable a detailed annual report to be published, by giving one organisation responsibility for royal travel expenditure.

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. Almost 3,000 official engagements were undertaken across the United Kingdom and overseas by Members of the Royal Family during the year to 31st March 2007. These involved a significant amount of travel that needed to be undertaken in a way which met efficiency, security and presentational requirements.

A list of the 47 journeys undertaken by Members of the Royal Family and their staff during 2006-07 which had travel costs of £10,000 or more, met from the Royal Travel Grant-in-aid is given as an appendix to this report.

SUMMARY

The Grant-in-aid for the year to 31st March 2007 voted by Parliament was £6.0 million (£5.9 million in 2005-06) with Grant-in-aid drawn down amounting to £5.5 million (£5.2 million in 2005-06). Actual expenditure during the year was £5.6 million (£5.5 million in 2005-06). This represents a reduction of 71% in absolute terms and 77% in real terms¹ during the ten years since the Royal Household assumed responsibility for royal travel expenditure. It is not envisaged that Royal Travel expenditure will reduce further and that future variations in costs will be principally affected by the number of large overseas visits which are determined by the Foreign and Commonwealth Office. The largest tours during the year were those undertaken by The Prince of Wales and The Duchess of Cornwall to Pakistan and the Middle East, and by The Prince of Wales to Sierra Leone and Nigeria.

The principal categories of expenditure met from the Grant-in-aid are as follows.

<i>Year to 31st March</i>	2007	2006
	£m	£m
Helicopters	2.2	2.2
Fixed wing aircraft from civil operators	1.9	1.6
Fixed wing aircraft from 32 Squadron	0.4	0.8
Royal Train and other rail	0.7	0.6
Administration and other	0.4	0.3
	5.6	5.5

The Grant-in-aid for 2007-08 has been increased to £6.6 million. This still represents a reduction in absolute terms of 66% from the initial Grant-in-aid in 1997-98.

During the year, The Household with the assistance of The Climate Group undertook an exercise to establish the environmental impact of Royal Travel. The environmental impact of Royal Travel is heavily influenced by the mix of domestic and overseas travel and is therefore likely to fluctuate from year to year. The Household will aim to minimise this impact without compromising the ability of The Queen and Members of The Royal Family to fulfil their official duties.

¹ 'Absolute terms' refers to the movement in net expenditure before taking account of inflation and 'real terms' after taking account of inflation.

OPERATING AND FINANCIAL REVIEW

TRAVEL CRITERIA

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, 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). 32 Squadron aircraft may be used by senior Members of the Royal Family for private journeys, with the cost of the journey reimbursed at a commercial rate.

The programme of overseas tours is determined by the Foreign and Commonwealth Office and UK Trade & Industry (“UKTI”), and approved by the Royal Visits Committee.

AIR TRAVEL

HELICOPTERS

Flying hours

<i>Year to 31st March</i>	2007	2006
	hours	hours
The Queen's Helicopter	395	379
Charter helicopters	119	140
Total flying hours	514	519

The Queen's Helicopter Flight was formed on 1st April 1998. The decision to establish The Queen's Helicopter Flight continues to be fully justified, having delivered substantial cost savings compared with the previous 32 Squadron Wessex service. The helicopter now 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.

The Queen's Helicopter, a Sikorsky S76 C+, is used by the Royal Household under the terms of a ten year operating lease and related maintenance contracts; it can carry six passengers. The variable cost for The Queen's Helicopter, including VAT, was £933 per flying hour (£902 in 2005-06). Charter helicopters provided additional capacity during the year when more than one helicopter was required.

FIXED WING (CIVIL OPERATORS)

Flying hours

<i>Year to 31st March</i>	2007 hours	2006 hours
Small fixed wing aircraft charter	107	90
Large fixed wing aircraft charter	71	104
	178	194

The decrease in large fixed wing aircraft charter (those with 15 seats or more) is due to the pattern of overseas tours, which is set by the Foreign and Commonwealth Office.

Scheduled flights

During the year Members of the Royal Family travelled 173,000 miles (74,000 in 2005-06) on 28 scheduled flights (16 in 2005-06).

FIXED WING (32 SQUADRON)

32 Squadron primarily provides air travel to meet the operational requirements of the Armed Services but is also available for Members of the Royal Family and Government Ministers. During 2006-07, 9% (14% in 2005-06) of 32 Squadron's flying hours were in respect of use by Members of the Royal Family and their staff.

Flying hours

<i>Year to 31st March</i>	2007 hours	2006 hours
BAe 146	112	232
HS 125	183	251
	295	483

Hours include both the flight and any pre/post flight positioning of the aircraft.

A BAe 146 is a four-engined jet which is configured to carry 19 or 26 passengers; 32 Squadron had two BAe 146s in 2006-07. The hourly variable cost was £2,478 in 2006-07 (£2,265 between April and July 2005 and £2,534 for the remainder of 2005-06). VAT is not applied to charges in respect of the BAe 146 because of the large size of the aircraft.

The HS 125 is a twin-engined jet which carries seven passengers; 32 Squadron had five HS 125s in 2006-07. The hourly variable cost was £952 in 2006-07 (£858 between April and July 2005 and £968 for the remainder of 2005-06); all rates are inclusive of VAT.

The decrease in the hourly variable cost for both aircraft is due to a reduction in maintenance costs.

The Squadron's engagement on their primary operational role in the Middle East coupled with continuing maintenance and serviceability problems experienced by the aircraft upon return to the UK has affected aircraft availability. Unavailability of 32 Squadron on 15 occasions (7 in 2005-06) resulted in an additional £109,000 spent on fixed wing charter aircraft (£50,000 in 2005-06).

RAIL TRAVEL

Royal Train

During the year there have been 11 journeys (14 in 2005-06), with an average distance of 655 miles per journey (700 in 2005-06).

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 four 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 ten years of the Grant-in-aid, costs have been reduced (a 65% 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 49 journeys by scheduled rail (48 in 2005-06), with an average distance of 130 miles per journey (165 in 2005-06).

FUTURE DEVELOPMENTS

Royal Train

The Household and the Department supported by a specialist consultant have continued to work on a project to ensure that the Train is operated in the most cost efficient manner. Some initial savings have already been identified. Work will continue during 2007-08 to identify future cost saving options.

Independent air travel review

The Household is liaising closely with the Department on the implementation of the recommendations of Sir Peter Gershon's review of Ministerial and Royal air travel and its implications for Royal flying.

Revision of the Financial Memorandum

The planned update by the Household and the Department of the Financial Memorandum and the Household's internal guidance on Royal Travel will now be completed during 2007-08. This was originally scheduled for 2006-07 but other priorities have delayed the implementation of this work.

Environmental responsibility

The Royal Household and the Department will continue to pursue opportunities to reduce the environmental impact of Royal Travel and establish approved arrangements for carbon offsetting.

MANAGING ROYAL TRAVEL

Operating Approach

The Royal Household's objectives in managing royal travel expenditure are set out in the Memorandum of Understanding between the Lord Chamberlain and the Permanent Secretary of the Department of Transport (now of the Department for Transport). They 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.

Senior Management

Within the Royal Household, the Royal Travel Office, headed by the Director of Royal Travel, is responsible for organising the provision of travel services and for the in-house helicopter operation. It is supported on the financial side by the Deputy Treasurer to The Queen and the Accountant, Royal Travel. Consultants have been used during the year to advise on air and rail travel matters.

The group responsible for the management of the Grant-in-aid and royal travel on a day to day basis during 2006-07 were:

- | | |
|--------------------------------------|---------------------------|
| • Director of Royal Travel | Group Captain Tim Hewlett |
| • Deputy Treasurer to The Queen | Stephen Cawley |
| • Helicopter Manager and Chief Pilot | Chris Pittaway |
| • Helicopter Operations Officer | John Sampler |
| • Senior Travel Officer | Joe Maggs |
| • Accountant, Royal Travel | Graham Finn |

The Queen's Private Secretary, Rt. Hon. Sir Robin Janvrin, has overall responsibility for policy, security and safety matters and the Keeper of the Privy Purse, Sir Alan Reid, for financial and operating matters.

Audit Committee

The Audit Committee comprises three members, Nigel Turnbull (non-executive Chairman and Chairman of the Turnbull Committee which produced the Corporate Governance report on Internal Control), Air Vice-Marshal David Walker and Brigadier Sir Miles Hunt-Davis, and reports to the Lord Chamberlain's Committee. It has overall responsibility for monitoring the effectiveness of the system of internal control, including financial, operational and compliance controls and risk management. 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 three times a year. Meetings are attended by: the Head of Audit

Services, the Keeper of the Privy Purse and the Deputy Treasurer to The Queen. Representatives from KPMG who are the external auditors attend twice a year. 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. During the year these have included reviews of personnel initiatives and business continuity.

Training

Considerable emphasis is placed on training. Training is provided in-house and through external organisations covering helicopter continuation training and examination, international travel, workplace skills training with a particular focus on IT, and personal development and general management skills training.

Employment Policies

The Royal Household is committed to Equal Opportunities and all appointments and promotions are on merit. Applications for positions are invited from all sections of the community through recruitment open days and advertisements placed in national and specialist media and on the internet. Diversity in the workforce is encouraged and training in Equal Opportunities is provided to staff. The effectiveness of the Equal Opportunities policy is monitored.

All staff receive an annual review to assess performance and to identify career development opportunities and training requirements. Employment policies are communicated to all staff and are incorporated in an Employee Reference Manual.

Staff consultation is a key element of the Royal Household's employment policy with a number of channels of communication including bi-monthly team briefings held after the Lord Chamberlain's Committee meetings, a staff survey conducted every three years, regular small group discussions with the Lord Chamberlain and an annual meeting led by the Lord Chamberlain to which all staff are invited. Staff are kept informed of the performance of the Royal Household and are encouraged to contribute ideas and suggestions and to give feedback to senior management as part of the 'continuing improvement' approach. All staff paid from the Grant-in-aid will receive a summary of this report, whilst the full report is available on the Royal Household website.

Health and Safety

The Royal Household has a comprehensive Health and Safety Policy communicated to all employees. Regular training is provided on aspects of Health and Safety with risk assessment undertaken by the Fire, Health and Safety Office. The Health and Safety Committee, which includes staff representatives, also guides and advises on policy and implementation.

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>		2007	2006
	Note	£m	£m
Amount of Grant-in-aid Voted by Parliament		6.0	5.9
		=====	=====
Grant-in-aid drawn down		5.5	5.2
		=====	=====
Air travel			
Helicopters		2.2	2.2
Fixed wing (civil operators)		1.9	1.6
Fixed wing (32 Squadron)		0.4	0.8
		-----	-----
		4.5	4.6
		-----	-----
Rail travel		0.7	0.6
		-----	-----
Administration and other		0.4	0.3
		-----	-----
Total net expenditure	5	5.6	5.5
		-----	-----
Net funding from reduction in fixed assets and working capital	10	(0.1)	(0.3)
		=====	=====

The results shown above relate to continuing activities. Total net expenditure in 2006-07 includes £0.2 million in respect of VAT (£0.2 million in 2005-06).

The accounting policies are summarised on pages 123 to 125. 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 120, 121, and 122 respectively.

Grant-in-aid not drawn down amounting to £0.5 million (£0.7 million in 2005-06) was retained by the Department for Transport.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31st March</i>	Note	2007 £m	2006 £m
Net funding from reduction in fixed assets and working capital		(0.1)	(0.3)
Actuarial gain for the year	4	0.1	—
Total recognised gains relating to the year		—	(0.3)
Prior year adjustment	10	(0.4)	
Total net losses recognised since last annual report		(0.4)	

BALANCE SHEET

As at 31st March

		2007	2006
			restated (see note 1(b))
	Note	£m	£m
Fixed assets	7	–	0.1
Current assets			
Debtors	8	0.1	0.2
Cash at bank and in hand		0.2	–
		0.3	0.2
Creditors : amounts falling due within one year	9	(0.3)	(0.2)
Net current assets		–	–
Creditors : amounts falling due after more than one year	9	–	(0.1)
Net assets excluding pension scheme liability		–	–
Pension scheme liability	4	(0.4)	(0.4)
Net liabilities		(0.4)	(0.4)
Funds contributed by or (required from) the Department for Transport			
Fixed asset reserve		–	0.1
Pension scheme deficit	4	(0.4)	(0.4)
Required to meet net liabilities		–	(0.1)
	10	(0.4)	(0.4)

CASH FLOW STATEMENT

<i>Year to 31st March</i>	2007	2006
	£m	£m
Reconciliation of total net expenditure to Grant-in-aid		
Total net expenditure	(5.6)	(5.5)
Depreciation charges	0.1	–
Decrease in debtors	0.1	–
Excess of pension scheme service cost over contributions	0.1	–
Net cash outflow from activities and before financing	(5.3)	(5.5)
Grant-in-aid drawn down	5.5	5.2
Increase / (decrease) in cash	0.2	(0.3)
	=====	=====
Reconciliation of cash balances	2007	2006
	£m	£m
Cash at bank as at start of year	–	0.3
Net increase / (decrease) in cash	0.2	(0.3)
Cash at bank as at 31st March	0.2	–
	=====	=====

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 except for the pension scheme liability as explained in note (b) below.

a) Basis of preparation

The accounts 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, in line with the requirements of Government Resource Accounting.

b) Prior year adjustment

The Royal Households Group Pension Scheme has several employers. At the time of preparing the last annual report for the Grant-in-aid the latest actuarial valuation available for the scheme was as at 1st January 2003 which did not identify the Grant-in-aid's share of the underlying assets and liabilities in the scheme. Following the recent valuation of the Royal Households Group Pension Scheme as at 1st January 2006, it is now possible to identify the Grant-in-aid's share of assets and liabilities as at and from 31st March 2006. Accordingly, the scheme has been accounted for as a defined benefit scheme under FRS17: Retirement benefits from this date. The deficit at 31st March 2006 has been recognised through the Statement of Total Recognised Gains and Losses on page 120 and the comparative Balance Sheet restated to reflect the change in circumstances. The comparative figures in the Income and Expenditure Account have not been restated as no information on the Grant-in-aid's share of actuarial gains and service costs prior to 31st March 2006 are available. Further detail on the scheme is given in notes 1(d) and 4.

c) 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.

d) Pension 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 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 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 group pension scheme taking the assets at their year-end bid-values and liabilities at their actuarially calculated values discounted at year-end AA corporate bond index.

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 note 4.

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) Cost of capital

HM Treasury requires Non-Departmental Public Bodies ('NDPB') to make a notional charge in their accounts for the cost of capital employed in their activities. Since the Royal Household is not an NDPB and on grounds of materiality, it is not considered appropriate to include such a charge in the accounts.

g) Foreign currencies

Transactions denominated in foreign currencies are converted into sterling at the exchange rates on the dates of the transactions. 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.

h) Fixed assets

Fixed assets costing over £1,000 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

i) 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 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 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 31st March</i>	Fixed costs		Variable costs		Total costs	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Air travel						
Helicopters	1.5	1.5	0.7	0.7	2.2	2.2
Fixed wing (civil operators)	–	–	1.9	1.6	1.9	1.6
Fixed wing (32 Squadron)	–	–	0.4	0.8	0.4	0.8
	<u>1.5</u>	<u>1.5</u>	<u>3.0</u>	<u>3.1</u>	<u>4.5</u>	<u>4.6</u>
Rail travel						
Royal Train and other	0.4	0.3	0.3	0.3	0.7	0.6
Administration and other	0.4	0.3	–	–	0.4	0.3
Total net expenditure	<u>2.3</u>	<u>2.1</u>	<u>3.3</u>	<u>3.4</u>	<u>5.6</u>	<u>5.5</u>

3. STAFF NUMBERS AND COSTS

Establishment

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

<i>As at 31st March</i>	Number of staff	
	2007	2006
Royal Travel Office	3	3
The Queen's Helicopter Flight	9	9
Administration and Accounting	1	1
	<u>13</u>	<u>13</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 31st March</i>	2007 £m	2006 £m
Salaries	0.7	0.6
National insurance	0.1	0.1
Pension contributions	0.1	0.1
	0.9	0.8

Executive pay

Salaries for the executives of Royal Travel, who are both members of the Royal Households Group Pension Scheme, are set out below.

<i>Year to / as at 31st March</i>	Age	Salary		Pension at 60 accrued to date			
				Annual pension		Lump sum	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Director of Royal Travel	58	64	62	6	5	—	—
Deputy Treasurer to The Queen	60	34	30	—	3	—	—

The above figures for the Deputy Treasurer to The Queen represents 30% of his salary which is borne by the Grant-in-aid.

£12,000 (£7,000 in 2005-06) of the Keeper of the Privy Purse's salary, including pension and national insurance contributions, is recharged by the Civil List based on his time devoted to royal travel matters.

Other salaries for higher paid employees fell into the following bands.

<i>Year to 31st March</i>	Number of staff	
	2007	2006
£80,001 – 85,000	1	—
£75,001 – 80,000	1	1
£70,001 – 75,000	—	1
£65,001 – 70,000	1	—
£60,001 – 65,000	—	1
£55,001 – 60,000	—	—
£50,001 – 55,000	—	1

4. PENSION ARRANGEMENTS

Until 31st March 2002, all full-time permanent employees were entitled to be members of a scheme managed by trustees on behalf of the Royal Household (the Royal Households Group Pension Scheme). The pension scheme provides benefits based on final pay and is non-contributory for employees. 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 Households Group Pension Scheme

All full-time permanent employees, who joined before 31st March 2002 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 costs will increase as the members approach retirement. The most recent completed valuation was as at 1st January 2006. 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 1.7% per annum post retirement and 3.2% 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 £24.5 million and that this value of the assets was sufficient to cover 69% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Following this valuation, the employer's contribution rate in respect of staff employed by the Grant-in-aid was set at 27.6% from 1st January 2007 (previously 22.8%), plus an index linked annual payment of £24,000 (previously £98,000 index linked annual payment from 1st January 2004 shared by both the Royal Travel and Property Services Grants-in-aid) and the benefit accrual rate was reduced from 1/60 to 1/70 for each year of service from 1 April 2007. It is believed that these measures will be sufficient to eliminate Royal Travel's share of the past service deficit of £0.4 million over 15 years and meet the current service cost.

The scheme has several employers and in the previous actuarial valuation dated 1st January 2003 it was not possible to identify the Grant-in-aid's share of the underlying assets and liabilities in the scheme. As permitted by paragraph 5.3 of FRS 17: Retirement Benefits, this scheme was accounted for in previous years as if it were a defined contribution scheme. However, in the latest actuarial valuation it has been possible to identify the Grant-in-aid's share of the underlying assets and liabilities in the scheme and the scheme is now accounted for as a defined benefit scheme.

The valuation used for this disclosure has been based on the most recent actuarial review of the Royal Households Group Pension Scheme as at 1st January 2006 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 Grant-in-aid of the scheme at 31st March 2007. Scheme assets in respect of the Grant-in-aid are stated at their market values at 31st March 2007.

Actuarial assumptions adopted as at 31st March	2007	2006
Discount rate	5.4% pa	4.9% pa
Rate of general long-term increase in salaries	4.7% pa	4.5% pa
Rate of price inflation	3.2% pa	3.0% pa
Rate of increase to pensions in payment (pre 1993 service)	5.0% pa	5.0% pa
Rate of increase to pensions in payment (post 1993 service)	3.2% pa	2.9% pa

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 fair value of the assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, have been determined by the actuary as follows.

Main asset categories	Long term rate of return expected as at 31st March		Value as at 31st March	
	2007	2006	2007	2006
			£m	£m
Equities	7.7% pa	7.3% pa	0.9	0.8
Government Bonds	4.7% pa	4.3% pa	0.2	0.2
Other	5.5% pa	4.6% pa	0.1	0.0
Total assets			1.2	1.0
Liabilities			(1.6)	(1.4)
			(0.4)	(0.4)

There is therefore a net pension liability of £0.4 million as at 31st March 2007 (£0.4 million as at 31st March 2006). The amount of this net pension liability has a consequential effect on reserves.

Analysis of amounts charged against expenditure

Year to 31st March	2007
	£m
Current service cost	0.2
Total operating charge	<u>(0.2)</u>

Analysis of amounts credited to other finance income

Year to 31st March	2007
	£m
Expected return on scheme assets	0.1
Interest on pension scheme liabilities	<u>(0.1)</u>
Total operating charge	<u>-</u>

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

	2007
	£m
Deficit as at 1st April 2006	(0.4)
Movement in year:	
Current service cost	(0.2)
Contributions	0.1
Actuarial gain	<u>0.1</u>
Deficit as at 31st March	<u>(0.4)</u>

The actuarial gain in the year comprises:

Year to 31st March	2007
	£m
Actual return less expected return on assets	-
Experience gains and losses arising on the liabilities	-
Change in assumptions underlying the present value of the liabilities	<u>0.1</u>
Actuarial gain	<u>0.1</u>

History of experience gains and losses	2007
Year to 31st March	
Total actuarial gain expressed as a percentage of the present value of liabilities	
Amount (£m)	0.1
Expressed as a percentage of scheme assets	6.3%

There was no difference between the expected and actual return on scheme assets and there were no experience losses on pension liabilities during the year.

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.

5. TOTAL NET EXPENDITURE

Total net expenditure is stated after charging:

<i>Year to 31st March</i>	2007	2006
	£m	£m
Helicopter operating lease	0.5	0.5

The Auditors’ remuneration for the audit was £25,000 (£24,000 in 2005-06). During 2006-07 and 2005-06 no additional fees were paid to the auditors.

6. RELATED PARTY TRANSACTIONS

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

	2007	2006	2007	2006
	£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.

7. FIXED ASSETS

	Helicopter operation equipment £m
Cost	
At 1st April 2006	0.2
At 31st March 2007	<u>0.2</u>
Depreciation	
At 1st April 2006	0.1
Charge for the year	0.1
At 31st March 2007	<u>0.2</u>
Net book value	
At 31st March 2007	<u>-</u>
At 1st April 2006	<u>0.1</u>

Helicopter operation equipment principally comprises additional navigation equipment, an auxiliary fuel tank and safety upgrade fitted to the Sikorsky S76 C+, and helicopter landing site improvements.

8. DEBTORS

<i>As at 31st March</i>	2007 £m	2006 £m
Recharges	0.1	0.2
	<u>0.1</u>	<u>0.2</u>

9. CREDITORS

<i>As at 31st March</i>	2007 £m	2006 £m
Amounts falling due within one year:		
Suppliers	0.3	0.2
	<u>0.3</u>	<u>0.2</u>
Amounts falling due after one year:		
Other creditors	–	0.1
	<u>0.3</u>	<u>0.3</u>
Analysis of creditors:		
In one year or less	0.3	0.2
Between two and five years	–	0.1
	<u>0.3</u>	<u>0.3</u>

10. RESERVES

Funds contributed by or (required from) the Department for Transport	Fixed asset reserve	For net liabilities	Pension scheme deficit	Total
	£m	£m	£m	£m
As at 1st April 2006	0.1	(0.1)	–	–
Prior year adjustment for FRS17: Retirement benefits	–	–	(0.4)	(0.4)
As at 1st April 2006 (restated)	<u>0.1</u>	<u>(0.1)</u>	<u>(0.4)</u>	<u>(0.4)</u>
Net movement in year on pension scheme deficit	–	–	0.1	0.1
Depreciation	(0.1)	–	–	(0.1)
Excess pension cost over income	–	–	(0.1)	(0.1)
Net funding for working capital	–	0.1	–	0.1
As at 31st March 2007	<u>–</u>	<u>–</u>	<u>(0.4)</u>	<u>(0.4)</u>

11. COMMITMENTS

At 31st March 2007, 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 2007-08 (£0.3 million at 31st March 2006).

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

<i>As at 31st March</i>	2007	2006
	£m	£m
Expiring in 2-5 years	0.8	0.8

12. CONTINGENT LIABILITIES

The Grant-in-aid had no contingent liabilities at the year end (2005-06: nil).

FIVE YEAR INFORMATION

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>	2007	2006	2005	2004	2003
	£m	£m	£m	£m	£m
Amount of Grant-in-aid Voted by Parliament	6.0	5.9	5.7	5.9	5.4
Grant-in-aid drawn down	5.5	5.2	5.4	4.7	4.2
Air travel					
Helicopters – fixed costs	1.5	1.5	1.5	1.6	1.5
Helicopters – variable costs	0.7	0.7	0.6	0.7	0.6
Fixed wing (civil operators) – variable costs	1.9	1.6	1.2	0.8	0.4
Fixed wing (32 Squadron) – variable costs	0.4	0.8	0.7	0.5	0.5
	4.5	4.6	4.0	3.6	3.0
Rail travel					
Royal Train – fixed costs	0.4	0.3	0.3	0.4	0.4
Royal Train – variable costs	0.3	0.3	0.4	0.4	0.5
	0.7	0.6	0.7	0.8	0.9
Administration and other	0.4	0.3	0.3	0.3	0.3
Total net expenditure	5.6	5.5	5.0	4.7	4.2
Net funding (from) / for fixed assets and working capital	(0.1)	(0.3)	0.4	–	–

PERFORMANCE INDICATORS AND OPERATING RATIOS

<i>Year to 31st March</i>	2007	2006	2005	2004	2003
Funding					
Movement in total net expenditure in:	%	%	%	%	%
• absolute terms	+1.8	+10.0	+4.8	+11.9	-13.9
• real terms	-2.0	+7.7	+2.0	+9.6	-16.0
Mileage Cost					
Total cost per mile travelled:					
• by air	£12	£13	£12	£14	£10
• by rail	£54	£41	£49	£48	£42
Supplier Payments					
Invoices paid within:	%	%	%	%	%
• 30 days	93	95	93	93	95
• 40 days	97	97	97	97	99
• 50 days of receipt of invoice	99	99	99	99	99
Staff Numbers	13	13	13	13	13

STATEMENT ON INTERNAL CONTROL

A system of internal control is in place to safeguard the assets purchased from, and the funds of, the Grant-in-aid and to give reasonable assurance that Royal Travel policies are implemented and their aims and objectives met.

The system of internal control is based on an ongoing process designed to (a) identify and evaluate the nature and extent of the risks to the achievement of the aims and objectives for operations funded from the Grant-in-aid, set out in its five year plan, and (b) manage these risks efficiently, effectively and economically. For reasons of cost and practicality the system of internal control is intended to manage rather than to eliminate the risks and to give reasonable rather than absolute assurance.

The Keeper of the Privy Purse has considered the following principal systems in reviewing the effectiveness of the system of internal control for the Grant-in-aid.

- **Control environment:** the operations funded from the Grant-in-aid have organisational structures with clearly defined levels of responsibility and authority and appropriate operational and financial reporting procedures. The Keeper of the Privy Purse delegates responsibility for the day to day running of the Grant-in-aid to the Management Group. The employees paid from the Grant-in-aid perform their duties with reference to agreed policies covering confidentiality and security, health and safety, and codes of conduct. Operating procedures and controls are documented for key processes in comprehensive Desk Instructions.
- **Financial reporting and information systems:** there are comprehensive planning and financial reporting procedures for expenditure from the Grant-in-aid, which include the preparation of an annual budget and a five-year plan, both of which are approved by the Lord Chamberlain's Committee. Quarterly results are reported against budget. Significant variances to budget and key performance indicators are examined quarterly by the Management Group to assess progress towards objectives and appropriate action is taken where required. Forecasts are regularly updated throughout the year, taking into account performance for the year to date.
- **Risk management:** the identification of major financial, legal, regulatory and operational risks within the operations funded from the Grant-in-aid has been completed. A risk and control assessment identifies the types of risks faced by the Grant-in-aid and weights them in terms of potential impact and likelihood of occurrence. The Risk Register, which is derived from the risk and control assessment, documents the major risks to which the operations funded from the Grant-in-aid are exposed and the controls, insurance and/or strategies in place to manage such risks. A method of management reporting on the effectiveness of the controls in operation, and internal audit testing of the controls in operation are in place. The Risk Register is also revised and monitored in regular meetings by management.

- **Audit and supervision:** the Grant-in-aid is subject to extensive supervision and control. The Royal Household's management of the Grant-in-aid is subject to supervision by the Department for Transport. The Household has an internal audit function which operates to standards defined in the Government Internal Audit Standards. The continuing risk assessment process undertaken by management forms the basis of the annual internal audit plan, which is approved by the Audit Committee. Progress in implementing internal audit recommendations is monitored by management and copies of internal audit reports are made available to the Department for Transport. The Head of Internal Audit reports to the Committee annually on the adequacy of the internal control system and on whether any losses arising through misconduct, fraud or any other irregularity have been identified.

In his review of the effectiveness of the system of internal control, the Keeper of the Privy Purse takes account of the work of the internal auditors and managers who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The Keeper of the Privy Purse has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Sir Alan Reid

Keeper of the Privy Purse

7th June 2007

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

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 Government Accounting and other guidance that may be notified to the Royal Household by the Department for Transport;
- 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;
- the Household maintains the books and records which are proper and necessary to enable it to discharge its responsibility, as set out in the Financial Memorandum, for the income and expenditure and maintains adequate financial management systems;
- the Grant-in-aid is used economically, efficiently and effectively to secure best value for money, in accordance with propriety and regularity;
- staff paid from the Grant-in-Aid take financial considerations fully into account at all stages in framing, reaching and executing decisions in so far as the Grant-in-aid 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 the Grant-in-aid and hence for taking reasonable steps to prevent and detect fraud and other irregularities. 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.

The 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
7th June 2007

REPORT OF KPMG LLP TO THE LORD CHAMBERLAIN

We have audited the Income and Expenditure Account on page 119, the Statement of Total Recognised Gains and Losses on page 120, the Balance Sheet on page 121, and the Cash Flow Statement on page 122 and the related notes (“the accounts”) which have been prepared using the accounting policies set out on pages 123 to 125.

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

As described on page 138 the Keeper of the Privy Purse is responsible for preparing the Annual Report, and the accounts, which includes an account of the stewardship of the Grant-in-aid for Royal Travel by Air and Rail. The Keeper of the Privy Purse is also responsible for ensuring the regularity of financial transactions.

Our responsibility is to audit the accounts in accordance with the terms of our engagement letter dated 30th March 2006 and International Standards on Auditing (UK and Ireland). Under the terms of our engagement letter we are required to report to you our opinion as to whether the financial statements are fairly presented and have been properly prepared on the stated basis. We also report to you our opinion on certain other matters specified in our engagement letter and listed at (a) to (g) under our opinion below.

We review whether the statement on pages 136 and 137 reflects the Royal Household’s compliance with HM Treasury’s guidance *Corporate Governance: statement on internal control* in respect of the Grant-in-aid for Royal Travel by Air and Rail and we report if it does not. We are not required to form an opinion on the effectiveness of the Royal Household’s internal controls for the Grant-in-aid.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. 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 and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Keeper of the Privy Purse in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of Royal Travel, 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, whether caused by fraud or other irregularity or error. 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 present fairly the state of affairs of the Grant-in-aid at 31st March 2007 and the total net expenditure and cash flows in the year then ended and have been properly prepared on the basis of the accounting policies set out on pages 123 to 125.

In our opinion, in all material respects:

- (a) proper books and records have been maintained during the year ended 31st March 2007 by the Royal Household in respect of Grant-in-aid net expenditure and balances;
- (b) the accounts are in agreement with the books of account and other relevant records;
- (c) the requirements of Government Accounting, as notified to the Royal Household by the Department for Transport, have been complied with;
- (d) all information and explanations which we think necessary for the purpose of our audit have been obtained;
- (e) the information for the year ended 31st March 2007 for Royal Travel on pages 119 to 135 is consistent with the underlying books and records of the Royal Household;
- (f) the Grant-in-aid has been expended only for the purposes authorised by Parliament and described in more detail in the Financial Memorandum dated May 2002 issued by the Department for Transport to the Royal Household; and
- (g) the Royal Household has observed the reporting requirements of the Financial Memorandum during the year ended 31st March 2007.

KPMG LLP
Chartered Accountants

London
7th June 2007

APPENDIX: 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 16% of all royal engagements in 2006-07. 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 145

Household	Method of travel	Date	Itinerary	Cost (£)
The Prince of Wales	Royal Train	2-3 May	ABZ - Lincoln	24,354
	S76	3 May	Waddington - BP	1,850
<i>Visit Lincoln City Centre, Lincoln Cathedral and Priory Centre</i>				
Staff (The Queen)	Scheduled flight	8-12 May & 23-28 Jul	LGW - Baltic States - LGW	10,417
<i>Reconnaissance for official visit to Baltic States</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	15-16 May	LYN - Belfast - NHT	18,840
	Charter helicopter	16 May	Aldergrove - various destinations in Northern Ireland - Aldergrove	5,321
<i>Open Regional Acquired Brain Injury Unit, hold Investiture and attend Garden Party at Hillsborough Castle, visit Fivemiletown Creamery and The Black Watch (3rd Battalion), and other engagements (cost increased by £13,900 due to 32 Squadron short notice cancellation)</i>				
The Queen and The Duke of Edinburgh	Royal Train	24-25 May	Euston - Blackburn	15,156
	BAe 146	25 May	Blackpool - EDI - ABZ	7,434
<i>Visit Church Street to mark redevelopment of Town Centre, Dunsop Bridge Post Office and Burholme Farm, attend Duchy of Lancaster Reception and other engagements</i>				
The Prince of Wales and The Duchess of Cornwall	Royal Train	29-30 May	Kemble - Dumfries	20,905
	S76	30 May - 1 Jun	Castle Douglas - various destinations in Scotland - Ballater	7,695
<i>Visit Lily Fashion Accessories, Broughton House, Borders General Hospital and Kinloch Castle, attend Reception at Scottish Parliament, give speech at Heritage Cities Organisation of World North West Regional Conference, and other engagements</i>				
The Queen and The Duke of Edinburgh	Royal Train	31 May - 1 Jun	Euston - St Austell	18,390
	BAe 146	1 Jun	Culdrose - NHT	3,924
<i>Visit Eden Project, Mountford House, Combined Universities in Cornwall, and other engagements</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Duke of York	Scheduled flight	1-14 Jun	LHR - Nha Trang – Hanoi. Bangkok - LHR	28,961
	Charter flight	6-7 Jun	Hanoi - Ho Chi Minh City - Bangkok	53,830
<i>UKTI visit to Vietnam and FCO visit to Thailand, to foster relations and promote British interests</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	5 Jun	ABZ - LYN	10,670
<i>Give Reception for Members of Parliament (cost increased by £3,200 due to 32 Squadron unavailability)</i>				
The Duke of York	BAe 146	28 Jun - 12 Jul	NHT - Ukraine – Azerbaijan – Kazakhstan – Tajikistan - Mongolia - Moscow	81,568
	Scheduled flight	28 Jun - 12 Jul	Moscow - LHR	8,330
	Charter helicopter	4 Jul	Uralsk - Aksai - Uralsk	9,685
<i>UKTI visit to Kazakhstan and FCO visit to Ukraine, Azerbaijan, Tajikistan and Mongolia, to foster relations and promote British interests</i>				
The Earl of Wessex	Charter flight	29-30 Jun	Farnborough - Belfast City. Aldergrove - Farnborough	10,065
<i>Open Chest Heart and Stroke Association Headquarters, attend "Leaders of Tomorrow Challenge", visit Northern Ireland Fire and Rescue Service Training Centre, and other engagements (cost increased by £7,700 due to 32 Squadron short notice cancellation)</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	1 Jul	LYN - Cambrai - LYN	11,540
<i>Attend Commemoration Service to mark Ninetieth Anniversary of Battle of the Somme (cost increased by £4,100 due to 32 Squadron short notice cancellation)</i>				
Staff (The Prince of Wales)	Scheduled flight	1-7 Jul & 19-29 Sep	LHR - Islamabad - LHR	16,507
<i>Reconnaissance for official visit to Pakistan</i>				
The Queen	Charter flight	3-7 Jul	NHT - EDI - NHT	22,220
<i>Take up residence at Palace of Holyroodhouse and undertake engagements in Scotland</i>				
The Prince of Wales and The Duchess of Cornwall	Royal Train	6-7 Jul	Kemble - Edinburgh	20,737
<i>Attend opening of Memorial Garden to Queen Elizabeth The Queen Mother in Royal Botanic Garden Edinburgh and Order of Thistle Service, and view Sogotra Exhibition</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	10 Jul	ABZ - LYN	13,180
<i>Hold Annual Alumni Seminar and Reception for The Prince of Wales's Business and Environment Programme</i>				
The Prince of Wales and The Duchess of Cornwall	Royal Train	12-13 Jul	Euston - Hornbeam Park	16,039
	Charter flight	13 Jul	Leeming - Farnborough	8,980
<i>Visit Great Yorkshire Show and Royal Hall Harrogate, and open Newby Hall Stables conversion</i>				
The Duke of York	Charter flight	13 Sep	Glasgow - NHT - Prestwick	11,780
<i>Receive the President of the Republic of the Philippines</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Duke and Duchess of Gloucester <i>Attend Funeral of the King of Tonga</i>	Scheduled flight	16-21 Sep	LHR - Tonga - LHR	42,870
The Duke of York	Scheduled flight	25-29 Sep	LHR - New York - LHR	19,143
	Charter flight	26-29 Sep	New York - Washington - Dallas Fort Worth - New Orleans - New York	53,000
<i>UKTI visit to United States of America to foster relations and promote British interests</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	2 Oct	ABZ - LYN	12,170
	S76	2 Oct	Kemble - KP	1,104
<i>Attend Final of the Great British Village Show and film premiere of the History Boys in support of The Prince's Trust (cost increased by £6,000 due to 32 Squadron short notice cancellation)</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	3 Oct	NHT - Birmingham - ABZ	13,880
<i>Visit Royal Centre for Defence Medicine (cost increased by £7,700 due to 32 Squadron short notice cancellation)</i>				
The Earl and Countess of Wessex	Scheduled flight	7-20 Oct	LHR - Nairobi. Johannesburg - LHR	17,491
	Charter flight	8-19 Oct	Nairobi - various destination in Kenya, Seychelles, Mauritius and South Africa - Lanseria	21,297
<i>FCO and DfID visit to Kenya (Nairobi and Turkana) and FCO visit to, Seychelles, Mauritius and South Africa (Johannesburg, Cape Town, Port Elizabeth, Grahamstown and Pretoria)</i>				
Staff (The Prince of Wales)	Scheduled flight	8-13 Oct	LHR - Abuja - Kano - Kaduna - Abuja - LHR	10,080
<i>Reconnaissance for official visit to Nigeria</i>				
The Queen	Charter flight	9 Oct	ABZ - NHT	17,200
<i>Travel to residence (cost increased by £11,000 due to 32 Squadron unavailability)</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	12 Oct	ABZ - NHT	13,190
	HS 125	12 Oct	NHT - ABZ	2,062
<i>Unveil Memorial to mark Fourth Anniversary of Bali Bombing and other engagements (cost increased by £5,800 due to 32 Squadron unavailability)</i>				
The Queen and The Duke of Edinburgh	Charter flight	16-20 Oct	LHR - Vilnius - Riga - Tallinn - LHR	72,359
<i>State Visits to Lithuania, Latvia and Estonia (cost £72,571 less £212 reimbursements)</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	23 Oct	ABZ - NHT	12,900
<i>Attend Corporate Social Responsibility Summit and other engagements (cost increased by £5,500 due to 32 Squadron unavailability)</i>				
The Duke of York	Scheduled flight	28 Oct - 4 Nov	LHR - Delhi. Chennai - LHR	16,474
	Charter flight	31 Oct - 2 Nov	Delhi - Mumbai - Chennai	61,450
<i>UKTI visit to India</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Prince of Wales and The Duchess of Cornwall	Charter flight	29 Oct - 3 Nov	LHR - various destinations in Pakistan - LHR	269,220
<i>FCO visit to Pakistan (cost £271,570 less £2,350 reimbursements)</i>				
The Prince of Wales and The Duchess of Cornwall	Royal Train	7-8 Nov	Euston - Newcastle	16,740
	Charter helicopter	9 Nov	Wooler - Bellingham. Greenhaugh - Rothbury - Newcastle - KP	12,585
<i>Visit Royal Victoria Infirmary, Newcastle United Football Club, Kielder Organic Meats, officially re-open renovated Jubilee Institute, and other engagements</i>				
The Queen and The Duke of Edinburgh	Royal Train	16-17 Nov	Euston - Arlesey. Sandy - Windsor	21,308
<i>Open Samuel Whitbread Community College, visit Defence Intelligence and Security Centre, St John's Hospice and restored Stotfold Mill, and other engagements</i>				
The Princess Royal	Scheduled flight	20-23 Nov	LHR - Bahrain - LHR	14,043
<i>FCO visit to Bahrain</i>				
The Duke of York	Scheduled flight	23-25 Nov	LHR - Manila - LHR	19,513
<i>UKTI visit to Philippines</i>				
Staff (The Prince of Wales)	Scheduled flight	23 Nov	LHR - Freetown	2,089
<i>Fly in advance of The Prince of Wales</i>				
The Prince of Wales	Charter flight	27-30 Nov	Marham - various destinations in Sierra Leone and Nigeria - LYN	219,430
	Charter helicopter	28 Nov		1,627
<i>FCO visit to Sierra Leone and Nigeria</i>				
Staff (The Prince of Wales)	Scheduled flight	4-7 Dec	LHR - Philadelphia. New York - LHR	16,383
<i>Reconnaissance for official visit to United States of America</i>				
The Princess Royal	Scheduled flight	11-25 Jan	Brize Norton - Port Stanley. Santiago - Punta Arenas - LHR	14,081
	Charter helicopter	14 Jan	Various destinations in Falkland Islands	10,109
<i>FCO visit to Falkland Islands and Chile</i>				
The Prince of Wales and The Duchess of Cornwall	Scheduled flight	26-29 Jan	LHR - Philadelphia - New York - LHR	59,045
	Charter train	28 Jan	Philadelphia - New York	3,870
<i>FCO visit to United States of America</i>				
Staff (The Prince of Wales)	Scheduled flight	30 Jan - 9 Feb	LHR - Kuwait - Bahrain - Abu Dhabi - Qatar - LHR	24,940
<i>Reconnaissance for official visit to Middle East</i>				
The Earl of Wessex	Scheduled flight	31 Jan - 8 Feb	LHR - Miami. Barbados - LHR	15,282
	Charter flight	4-5 Feb	Various destinations in Cayman Islands	1,599
<i>FCO visit to Miami, the Bahamas, Cayman Islands, Jamaica and Barbados</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Prince of Wales	Royal Train	4-5 Feb	Kemble - Carlisle	18,696
<i>Visit The Crown Pub as part of The Prince of Wales's 'Pub is the Hub' initiative, Booths supermarket and Kiln Orchard affordable rural housing scheme, and other engagements</i>				
The Duke of York	BAe146	12-13 Feb	NHT - Madrid – Barcelona - Geneva	14,249
	Scheduled flight	12-13 Feb	LHR - Barcelona - LHR	1,368
<i>UKTI visit to Spain</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	19 Feb - 1 Mar	LYN - Kuwait - Doha - Bahrain - Abu Dhabi - Banja Luka - LYN	345,710
<i>FCO visit to Middle East</i>				
The Earl of Wessex, The Princess Royal, and the Duke and Duchess of Gloucester	BAe146	23-25 Feb	NHT - LYN - Farnborough - Oslo - Farnborough - LYN - NHT	13,216
<i>Attend celebrations of The King of Norway's Seventieth Birthday</i>				
The Duke of York	BAe146	26 Feb - 12 Mar	LYN - Dusseldorf - various destinations in Middle East - Bahrain	44,604
Staff (The Duke of York)	Scheduled flight	26 Feb - 12 Mar	LHR - Qatar - Kuwait - UAE - LHR	12,020
<i>UKTI visit to Germany and Middle East</i>				
Staff (The Queen)	Scheduled flight	4-10 Mar	LHR - various destinations in United States of America - LHR	29,238
<i>Reconnaissance for State Visit to United States of America</i>				
The Queen and The Duke of Edinburgh	Royal Train	7-8 Mar	Euston - Brighton - Windsor	19,271
<i>Visit Theatre Royal, Jubilee Library, Pavillion Theatre, Roundabout Children's Centre, and other engagements</i>				
The Prince of Wales	Royal Train	15-16 Mar	Euston - Carmarthen - Patchway	22,548
<i>Visit National Botanic Garden of Wales and Myddfai village, and other engagements as part of 'British Tourism Week 2007'</i>				

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

Key:		S76	Various	Various (159 journeys)	357,353
BP	Buckingham Palace	Charter helicopter	Various	Various (57 journeys)	234,337
KP	Kensington Palace	Charter flight	Various	Various (5 journeys)	31,235
LHR	London Heathrow	BAe 146	Various	Various (16 journeys)	96,347
LGW	London Gatwick	HS 125	Various	Various (71 journeys)	169,549
ABZ	Aberdeen	Scheduled flight	Various	Various	194,008
EDI	Edinburgh	Scheduled rail	Various	Various	40,057
LYN	Lyneham				
NHT	Northolt				

3,210,718

