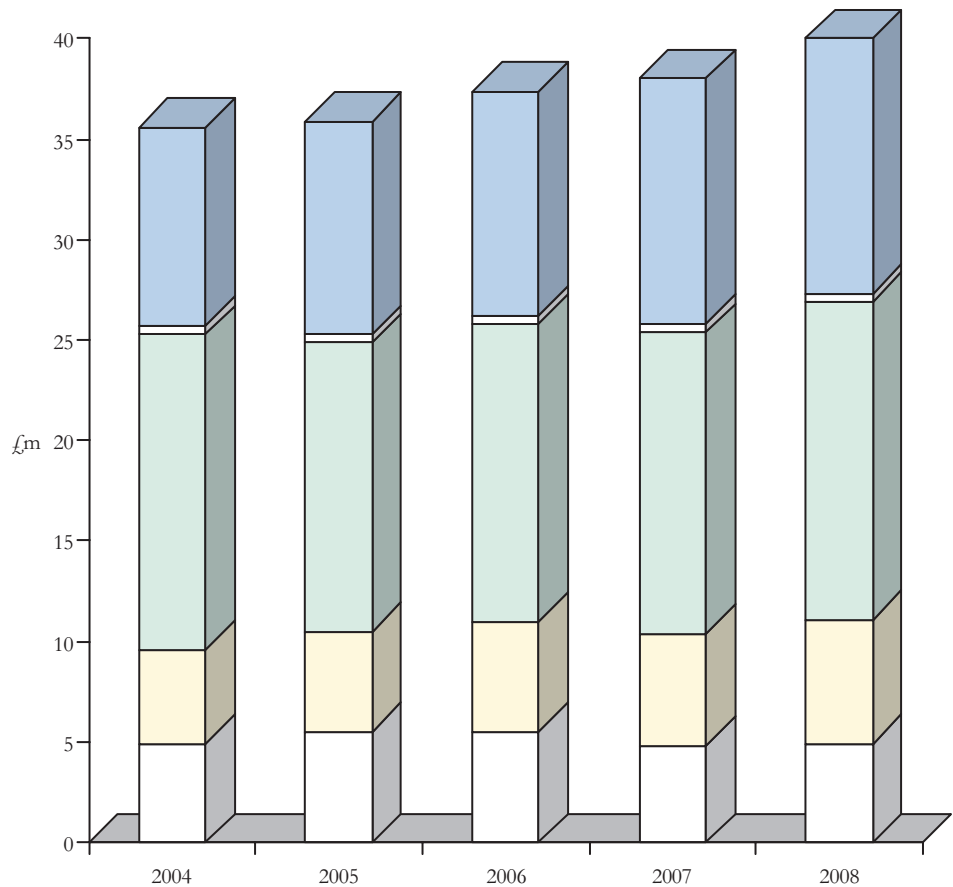


# HEAD OF STATE EXPENDITURE MET FROM PUBLIC FUNDS

Five Years to March 2008



## KEY<sup>1</sup>



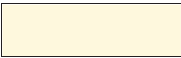
The Queen's Civil List



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

<sup>1</sup> The above colours correspond to those applied to the separate sections of this document.



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## HEAD OF STATE EXPENDITURE MET FROM PUBLIC FUNDS

<i>Year to 31st March</i>	<b>2008</b>	2007
	<b>£m</b>	£m
The Queen's Civil List <sup>2</sup>	<b>12.7</b>	12.2
Parliamentary Annuities	<b>0.4</b>	0.4
Grants-in-aid	<b>22.0</b>	20.6
Expenditure met directly by Government Departments and the Crown Estate	<b>4.9</b>	4.8
	<b>40.0</b>	38.0

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 2007-08 has increased by 2.0% in real terms compared to the previous year. The increase in real terms is mainly due to additional expenditure within the Grants-in-aid on the refurbishment of properties for letting commercially and the deferral of maintenance projects from the previous year, and increased expenditure on overseas travel. Since 2001 Head of State expenditure has reduced by 3.1% in real terms.

Expenditure on The Queen's Civil List and Grants-in-aid include £2.6 million of VAT (2006-07: £2.6 million).

Head of State expenditure excludes the costs of security 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, the accounts of which 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.

<sup>2</sup> Figures are for calendar years 2007 and 2006

## THE QUEEN'S DUTIES AS HEAD OF STATE

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).

## THE QUEEN'S CIVIL LIST

The seventh published annual accounts for the Civil List, which are for the year to 31st December 2007, 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.

Further information on the historical and legislative background for the Civil List can be found on the official website of the British Monarchy, [www.royal.gov.uk](http://www.royal.gov.uk).

The detailed annual report showing how the Civil List has been spent during 2007 is shown in pages 37 to 61 of this report.

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

## PARLIAMENTARY ANNUITIES

A Parliamentary Annuity was paid to The Duke of Edinburgh. The annuity was primarily to meet official expenses incurred in carrying out his public duties.

## GRANTS-IN-AID

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

<i><b>Year to 31st March</b></i>	<b>2008</b>	2007
	<b>£m</b>	£m
Property Services	<b>15.3</b>	14.5
Communications and Information	<b>0.5</b>	0.5
Royal Travel	<b>6.2</b>	5.6
	<b>22.0</b>	20.6

## **Property Services**

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

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

These properties are referred to as the "Occupied Royal Palaces" or the "Estate". 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 are The Queen's Gallery at Buckingham Palace, some 264 properties available for residential use mainly by staff and pensioners and 14 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 £200 million in the year to 31st March 2007). 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 70,000 guests annually to the Palaces and there are approximately 1.67 million (2006-07: 1.75 million) paying visitors. The net contribution after the associated maintenance costs of admitting visitors to the Occupied Royal Palaces goes towards the upkeep, conservation and presentation of the Royal Collection (see reference on page 10 and the Royal Collection Annual Report which is published separately).

## **Communications and Information**

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

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

## **Royal Travel**

The Royal Travel Grant-in-aid is the annual funding provided by the Department for Transport to meet the cost of official royal travel by air and rail. Up to 31st March 1997 the official royal travel costs were met by the Ministry of Defence, the Department of Transport and the Foreign and Commonwealth Office (FCO).

Responsibility for the expenditure was transferred to the Household with effect from 1st April 1997 in order 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.

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

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



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

Detailed accounts showing how the Grants-in-aid have been spent during 2007-08 are shown on pages 63 and 101 of this report.

#### EXPENDITURE MET DIRECTLY BY GOVERNMENT DEPARTMENTS AND THE CROWN ESTATE

<i>Year to 31st March</i> <sup>3</sup>	<b>2008</b>	2007
	<b>£m</b>	£m
Administration of honours	<b>0.7</b>	0.5
Equerries, orderlies and other support <sup>4</sup>	<b>1.4</b>	1.5
Maintenance of the Palace of Holyroodhouse	<b>1.1</b>	1.3
State Visits to and by The Queen and liaison with the Diplomatic Corps <sup>5</sup>	<b>0.7</b>	0.7
Ceremonial occasions	<b>0.2</b>	0.2
Maintenance of the Home Park at Windsor Castle	<b>0.6</b>	0.5
Other	<b>0.2</b>	0.1
	<b>4.9</b>	4.8

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.

#### 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. Accounts for the Duchy of Lancaster are presented to both Houses of Parliament annually.

##### **Duchy of Cornwall**

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

<sup>3</sup> Figures are not audited

<sup>4</sup> 2007 figures have been restated to reflect changes in the capitation rates used by the Ministry of Defence

<sup>5</sup> 2007 figures have been restated to reflect costs for the visit of the President of the Republic of Ghana and Mrs Kufuor

### **The Royal Collection**

The Royal Collection receives no funding from the Government or the National Lottery. It consists of works of art of all kinds and is held by The Queen as Sovereign in trust for Her successors and for the nation. All costs, except for some building occupancy costs, are met by the Royal Collection Trust from visitor admissions to the occupied palaces and from related activities. Around five million people saw items from the Royal Collection in royal palaces during 2007-08 and many more people saw items from the Royal Collection on loan to museums and galleries around the world. An annual report is published by the Royal Collection Trust, copies of which are available on-line at [www.royalcollection.org.uk](http://www.royalcollection.org.uk).

### **Marlborough House**

This is the annual funding introduced in 1999-2000 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 and 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 are to facilitate value for money and improve accountability and transparency by publishing a detailed annual report.

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 a contractor for the Department for Culture, Media and Sport and therefore the costs of property maintenance are not included in Head of State Expenditure.

*Further information is available on [www.royal.gov.uk](http://www.royal.gov.uk)*

# MANAGING THE ROYAL HOUSEHOLD

Continuing improvement is an important part of the Royal Household's approach, and it operates in a businesslike and professional manner, with a strong emphasis on value for money and accountability in the use of public funds and resources.

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

- Lord Chamberlain - The Earl Peel

Heads of Departments:

- Private Secretary to The Queen - The Rt Hon. Lord Janvrin (to 5th October 2007)  
- The Rt Hon. Christopher Geidt  
(from 6th October 2007)
- Keeper of the Privy Purse - Sir Alan Reid
- Master of the Household - Air Vice-Marshal David Walker
- Comptroller, Lord Chamberlain's Office - Lt Col. Andrew Ford
- Director of the Royal Collection - Sir Hugh Roberts

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.

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

	<b>The Civil List</b>	<b>Property Services, Communications and Information and Marlborough House</b>	<b>Royal Travel</b>
<b>Private Secretary to The Queen</b>	Private Secretaries, Researchers, Press Office, Records Management, Security Liaison	Communication and Information Policy	Travel Policy, Security and Safety
<b>Keeper of the Privy Purse</b>	Finance, Personnel, IT and Telecoms, Internal Audit	Supervision and direction, Fire, Health and Safety Services, Communication and Information Finance, Marlborough House	Travel Finance and Operations
<b>Master of the Household</b>	Event Management, Catering and Hospitality, House Management (Occupied Royal Palaces), Logistics	Craftsmen	
<b>Comptroller, Lord Chamberlain's Office</b>	Ceremonial, Royal Mews, Medical, Ecclesiastical		

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

The 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 and is supported in financial matters by the Deputy Treasurer to The Queen.

## EXECUTIVE PAY

Salaries for members of the Lord Chamberlain's Committee who are paid from the Civil List (before the deduction of abatements and other charges in respect of housing), are shown below. 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>	<b>Salary</b>		<b>Pension Payments<sup>1</sup></b>	
	<b>2007-08</b>	2006-07	<b>2007-08</b>	2006-07
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
The Earl Peel	<b>78</b>	36	<b>12</b>	5
The Rt Hon. Lord Janvrin	<b>104</b>	177	—	—
The Rt Hon. Christopher Geidt	<b>131</b>	111	<b>20</b>	17
Sir Alan Reid	<b>187</b>	189	<b>30</b>	31
Air Vice-Marshal David Walker	<b>107</b>	101	<b>37</b>	35
Lt Col. Andrew Ford	<b>90</b>	82	<b>14</b>	12

Lord Janvrin retired on 5th October 2007 with an accrued annual pension of £44,000 (2006: £42,000) and an accrued lump sum of £132,000 (2006: £127,000).

Sir Hugh Roberts is not included in the above table because he is paid from other funding sources.

The number of other higher paid employees (before the deduction of abatements and other charges in respect of housing and excluding pension contributions) whose salaries were paid from the Civil List and Grants-in-aid were:

<b>Year to 31st March</b>	<b>Total no. of staff</b>	
	<b>2008</b>	2007
£110,001 – 120,000	<b>2</b>	—
£100,001 – 110,000	<b>2</b>	2
£ 90,001 – 100,000	<b>2</b>	2
£ 80,001 – 90,000	<b>2</b>	4
£ 70,001 – 80,000	<b>5</b>	3
£ 60,001 – 70,000	<b>10</b>	10

Included above were four higher paid employees whose remuneration is split between the Civil List, the Grants-in-aid and other funding sources.

There were 23 staff during the year earning in excess of £60,000 (2006-07: 21), 15 were in a defined benefit scheme (2006-07: 14) and 8 were in a defined contribution scheme (2006-07: 6) where the employer contributions were £373,000 (2006-07: £282,000).

<sup>1</sup> There are no accrued annual pensions as the payments made were not to any of the RH defined benefit pension schemes.

## OPERATING APPROACH

### **The Civil List**

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

### **Property Services**

The Royal Household's objectives in managing property services are:

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

The approach adopted to attain these objectives is to have a small and expert team of professional staff 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 responsible 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 maximising job satisfaction.

The Property Section's approach, subject to funding constraints, is based on pre-planned preventative maintenance and conserving (and wherever possible enhancing) the architectural and historical integrity of the buildings, while ensuring that the Palaces can continue to be used in the most effective and efficient way as living and working buildings. The care of the buildings is based on:

- the detailed specialist knowledge, experience and observation of members of the Property Section who work in them;
- expert advice from English Heritage and a wide range of independent consultants with experience in conservation;
- a 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 “Desk Instructions”. These cover 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.

### **Royal Communications and Information**

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

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

The Queen’s engagements throughout England and Scotland are covered by the Buckingham Palace Press Officers and a Press Officer at the Palace of Holyroodhouse. Separate arrangements apply for royal visits to Wales and Northern Ireland.

The Government News Network (GNN) provides:

- (a) electronic and conventional press announcements distributed to national and regional media - 119 press announcements were made in this way (2006-07: 74); and
- (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.

The Royal website 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. In-house editing using authoring software enables topical additions to be made to the monthly Royal website news magazine. The website attracts 250,000 visitors and around 1.5 million pages are viewed per week.

## **Royal Travel**

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

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

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

Safety, security, presentation, the need to minimise disruption for others, the effective use of time, and cost are taken into account when deciding on the most appropriate means of travel. Staff may travel with members of the Royal Family or separately (e.g. to undertake reconnaissance visits or to arrive in advance).

The programme of overseas tours is determined by the FCO and UKTI, and approved by the Royal Visits Committee.

## **Marlborough House**

The Royal Household's objectives in managing the maintenance of Marlborough House are set out in the Memorandum of Understanding dated 28th September 2006 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 to that end
- (b) to organise and obtain works and other property services in the most economic, efficient and effective way.



## AUDIT COMMITTEE

The Audit Committee, which reports to the Lord Chamberlain's 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-Marshall David Walker, and Leslie Ferrar who replaced Brigadier Sir Miles Hunt-Davis from 5th June 2008. 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 at least three times a year. Meetings are attended by the Head of Audit Services, the Keeper of the Privy Purse, the Deputy Treasurer to The Queen and representatives from The Treasury and KPMG LLP, who are the external auditors. 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 Household and IT business continuity and funding of the annual works programme for maintenance of the Occupied Royal Palaces.

## EMPLOYMENT POLICIES

The Royal Household's employment policies and practices have been developed to encourage a motivated, adaptable and skilled workforce.

The Household is committed to equality of opportunity. Diversity of both applicants and employees is promoted, with candidates sought from all sections of the community. Recruitment open days are held and advertisements are placed in national, regional and specialist media and on the internet. The effectiveness of the Household's Equal Opportunities Policy is monitored.

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

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

## TRAINING

Considerable emphasis is placed on training, which is provided both in-house and through external organisations. The range of opportunities for learning and development extends from a City & Guilds Diploma for Butlers and a facilitation skills workshop for managers, through to highly specialised courses for Royal Travel helicopter pilots. Similarly the medium and format for delivery is very diverse, with breakfast workshops, lunch-time learning sessions and “Learning at Work” days, as well as residential programmes and a developing e-learning facility and resource library. Specialist IT training focusing on enhancing IT capability is also available to all staff.

## SOCIAL RESPONSIBILITY

The Royal Household is committed to considering the economic, social and environmental impact of its activities.

An Environment Committee reports to the Keeper of the Privy Purse on measures to:

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

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

## 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 are 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.

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

### **Health and Safety**

Health and Safety within the Royal Household is coordinated by the central Fire, Health and Safety Branch. This team is supported by first aiders, fire marshals and safety representatives within all departments across the Royal Household. 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.

# OPERATING AND FINANCIAL REVIEW

## OVERVIEW OF THE YEAR

During the year The Queen and The Duke of Edinburgh celebrated their Diamond Wedding Anniversary, which was marked by a service of celebration in Westminster Abbey on 19th November 2007. In addition, The Queen undertook 440 engagements to cities and towns in England, Scotland, Wales and Northern Ireland (2006: 380) and entertained around 38,000 people at six Garden Parties held at Buckingham Palace and the Palace of Holyroodhouse.

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

## THE CIVIL LIST

The Queen's programme for 2007 was set within what turned out to be another very busy year. Highlights of The Queen's programme have included the following:

- A State Visit to the United States of America in May to celebrate the 400th anniversary of the Jamestown settlement.
- A four-day visit to Uganda in November, during which The Queen opened the biennial Commonwealth Heads of Government meeting, travelling via Malta for a stopover to mark The Queen and The Duke of Edinburgh's Diamond Wedding Anniversary.
- An official visit to Belgium in July to mark the 90th anniversary of the Battle of Passchendaele.
- A visit in February to the Netherlands where The Queen undertook engagements with Queen Beatrix, and a visit in April to Northern France where The Queen and The Duke of Edinburgh joined world leaders to commemorate the 90th anniversary of the Battle of Vimy Ridge.
- Inward State Visits by the President of the Republic of Ghana and Mrs Kufuor in March and the Custodian of the Two Holy Mosques King Abdullah Bin Abdul Aziz Al Saud of Saudi Arabia in October.
- Officially opening the third session of the National Assembly for Wales during a visit to Cardiff. Additionally, there were visits to Staffordshire, West Yorkshire, Berkshire, Somerset, the Holyrood week in Scotland, Northern Ireland, Wales, Buckinghamshire and Kent.
- There were 27 Investitures at Buckingham Palace and the Palace of Holyroodhouse (2006: 24) during which around 2,600 (2006: 2,500) people received honours. A Diplomatic Reception was held in November at Buckingham Palace; approximately 1,000 diplomats and British guests attended. Additionally, there were receptions at Buckingham Palace for Backbench Members of Parliament and MEP's, Americans working in the UK, The Queen's Award for Enterprise, and Commonwealth Africans living in the UK.

## FINANCE

After the successful merging of the Civil List and Grant-in-aid finance functions in 2006-07, the Royal Collection finance team was incorporated into an enlarged central function under the management of the Deputy Treasurer to The Queen in July 2007. Key developments during the year have included the establishment of a shared services centre for invoice processing and the introduction of a common chart of accounts from 1st April 2008.

Following a competitive tender during the year, KPMG were appointed auditors of the Grants-in-aid and the Royal Collection Trust, and subcontractor for The Treasury in the audit of the Civil List.

## INFORMATION SYSTEMS

This year has seen the centralisation of all Information System Management support teams for the Royal Household, The Prince of Wales's Household and the Royal Collection to a single office in Buckingham Palace.

Blackberry PDAs have been successfully deployed along with a new system for secure remote access. All network data has been moved to a storage area network for resilience, file servers have been upgraded and a business continuity plan has been produced and tested. An email archiving solution has also been deployed to ensure the Royal Household's information retention policy is being enforced.

The Information Security Committee, which comprises the Directors of Security Liaison, IT and Telecommunications, and Records, reports to the Keeper of the Privy Purse in his capacity as Accounting Officer. During the year the Committee has overseen the development of an Information Asset risk register as part of the Royal Household's strategy for managing the security of information.

## PERSONNEL

A number of initiatives in 2007 ensured progress in employment practices: an equal pay audit was conducted which identified insignificant pay differentials between male and female employees in the Household; a competency framework was introduced so that the behaviours and attributes required to underpin performance within the Household can be measured and developed; and initiatives were launched to enhance talent management and succession planning for managerial posts.

To improve internal communications an intranet news bulletin was circulated to encourage uptake of the "royal@work" intranet and a number of successful feedback sessions for newly appointed staff were led by the Lord Chamberlain, who also opened the improved induction days attended by new recruits during the year.

Learning and Development opportunities within the Household were expanded to include a senior leadership development programme, a project management workshop, a personal effectiveness seminar and Learning at Work days at Windsor Castle and Buckingham Palace.

Community, work experience and voluntary initiatives were encouraged during the year.

## PROPERTY SERVICES

The Department for Culture, Media and Sport confirmed that funding for Property Services will remain at £15 million for the three years 2008-11. At the end of that period it will have remained at that level for twelve years. 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 has reduced by 68% when compared with the 1991-92 level.

During 2007-08 the Director of the Property Section has undertaken a review of the systems for prioritising maintenance across the Estate and has developed a clearer understanding of the backlog of works. If the Grant-in-aid remains unchanged at £15 million over the next ten years the backlog of essential works such as the renewal of services and replacement of roofs, is estimated at £32 million in today's money. As the new prioritisation system is developed the movement in the backlog will be closely monitored. Key projects in the backlog of essential works for which there are unlikely to be funds available in the next ten years include:

- renewal of lead and slate roofs at Buckingham Palace and Windsor Castle (£16 million);
- replacement of existing heating and electrical services at Buckingham Palace, with associated asbestos removal (£2.4 million);
- replacement of cast iron and lead Victorian water mains at Windsor (£3 million);
- much needed conservation work at the Victoria and Albert Mausoleum (£2.8 million), which will therefore remain on English Heritage's Buildings at Risk register.

The remaining backlog of £8 million relates to projects which would give operational or environmental improvements across the Estate.

To clear the estimated backlog of essential repairs and maintenance, the Grant-in-aid will need to be increased by at least £4 million per year from the date of the next Comprehensive Spending Review in 2011-12.

Additionally, there is no allowance in the backlog figure for projects, such as the redecoration of State Rooms at Buckingham Palace, most of which were last redecorated before The Queen's reign, or to complete the cleaning of the North, South and West facades of the Quadrangle at Buckingham Palace.

## MAJOR PROJECTS IN THE YEAR

In 2007-08 a total of 180 revenue funded projects over £3,500 in value were carried out across the estate. Four of these projects had a construction works spend in excess of £250,000 in the year and accounted for 26% of the total project spend across the whole estate. An additional project with a construction works spend in excess of £250,000 in the year is included under maintenance of commercial properties:

### **External fabric repairs to 6-7 Lower Ward, Windsor Castle (£0.5 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. The repair of numbers 6 -7 is the third and final phase of a planned programme of works for the ongoing renewal of lead roof coverings, many of which are over a hundred years old. The scaffold was also used to clean, repair and re-point stonework and overhaul windows and doors. Work on the third phase of the project commenced in June 2007 and was completed in November 2007. The total cost to the Grant-in-aid, including VAT and fees, is £0.5 million.

### **Reordering of the Bindery and Associated Workshops Phases 2 and 3, Windsor Castle (£0.5 million)**

The paper conservation workshops are located in the north-west side of the Upper Ward, Windsor Castle 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. 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 appropriate for the items being worked on. The scheme has been undertaken in three phases. Phases 2 and 3 of the project commenced on site in April 2007 and September 2007 respectively and were completed in August 2007 and December 2007 at a total cost to the Grant-in-aid, including fees and VAT, of £0.5 million.

### **External Fabric Repairs, Red Brick Yard, Windsor Castle (£0.3 million)**

Red Brick Yard is a cobbled area between six terraced houses and Burford House in the Royal Mews at Windsor. The houses have Welsh slate roofs with slate covered dormers, painted timber box sash windows and cast-iron gutters and downpipes. Repairs are being undertaken to all of these items, with the roof being replaced with new Welsh slate and dormers altered so that the cheeks are faced with lead. The scaffolding and temporary roof has to be located in St Alban's Street, a public road which runs outside the boundary of the Mews, while the roof along the same boundary has a complex curved shape requiring each slate to be individually cut by hand.

Sash windows are being renewed within the original frames. Secondary glazing, which was installed by the British Airports Authority when the second runway was built at Heathrow airport, is being replaced to provide sound and thermal insulation. Gutters and downpipes are being overhauled and replaced where they have corroded. On completion, the whole of the outside of the building will be repainted. The total cost of this project to the Grant-in-aid, including fees and VAT, is £0.3 million.

### **Replacement of Boilers and Calorifiers, Clarence House (£0.3 million)**

When Clarence House was refurbished for The Prince of Wales in 2004, it was hoped that the gas fired boilers would last a further five years. However, within two years a small domestic boiler providing hot water failed and a decision was made to replace this and the two main boilers in the summer of 2007.

Consultants were appointed to examine the best options for the new systems, taking account of environmental issues such as alternative fuels. Gas-fired boilers were installed with burners that will allow the use of bio-fuels. Calorifiers were replaced with flat plate heat exchangers which produce hot water on demand, thereby reducing energy consumption, and more efficient controls were installed. The total cost of this project to the Grant-in-aid, including fees and VAT, is £0.3 million.

### **Internal Refurbishment of Apartment 8, Kensington Palace (£0.5 million)**

For many years Apartment 8 has been vacant, but the building is now being refurbished to create office space for four of The Prince of Wales's charities. These organisations will pay a rent which will give a payback of approximately seven years for the work carried out under this project.

The scope includes replacement of the gas fired central heating system, rewiring and new data and telephone cabling. Asbestos has been removed before the start of the main contract, the cost of which is included in the project costs. The whole apartment is being redecorated, which in some rooms requires the replacement of wall coverings where fabric wall linings were removed many years ago. The total cost of this project to the Grant-in-aid, including fees and VAT, is £0.5 million.



In addition, the following 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 (£0.4 million works, £0.2 million fees to date)**

Proceeds of £2.5 million were generated by the Royal Household in 2005-06 from the sale of land at the Royal Garden Hotel, Kensington. 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 2007-08 Property Services drew £0.7 million (2006-07: £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.

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 refurbish seventeen apartments fully 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.

Work commenced on the main part of the contract in the autumn of 2007 and will be completed by Spring 2009. The total cost to the Grant-in-aid, including fees and VAT, is to be met by capital funding of £2 million, of which the balance of £1 million will be drawdown in 2008-09.

**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 57 of the 180 projects in progress during the year (2006-07: 54 out of 191). The 2007-08 fee ratio for these 57 projects, including the appropriate proportion of in-house supervision costs, was 7.5% (2006-07: 7.2%). The overall ratio, including smaller projects, for which the architectural and other services are largely provided by in-house staff, was 17.0%, as mentioned on page 66 (2006-07: 16.2%).

## GENERAL MAINTENANCE

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

## FACILITIES MANAGEMENT CHARGE

The Property Section charges the Royal Collection for the use of facilities at Windsor Castle in connection with the admission of visitors, which amounted to £1.8 million in 2007-08 (2006-07: £1.8 million).

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

## UTILITIES

Considerable emphasis is placed on energy conservation, both to save costs and to reduce environmental pollution. As a result of work undertaken to estimate the Household's carbon footprint it was identified that the two principal areas to target for a reduction in carbon emissions are electricity and gas consumption across the Estate.

### **Electricity**

In 2007-08 approximately 8.4 million kWh (2006-07: 9.0 million kWh) were consumed on the Estate, a saving of 7.3%. The combined heat and power units (CHP) located at Buckingham Palace and Windsor Castle produced 2.6 million kWh of this consumption (2006-07: 2.6 million kWh). Lower consumption of electricity in 2007-08 helped reduce carbon emissions on electricity by 9.4% (2006-07: 20.7 %).

### **Gas**

The CHP units in both London and Windsor provide hot water during the summer allowing main boilers to be switched off and thereby reducing gas consumption. In 2006-07 approximately 24.2 million kWh (2006-07: 24.2 million kWh) were consumed on the Estate, a saving of nil % (2006-07: 6%) in carbon emissions.

## **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 360,000 incoming calls in 2007-08 (2006-07: 552,000). The reduction in 2007-08 is due to a high number of calls in 2006-07 related to the 80th birthday of The Queen.

Private wires are required for security purposes and Buckingham Palace has megastream links to Windsor Castle; there is also 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. Council Tax is 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**

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

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

## GARDENS

### **Buckingham Palace**

The garden covers an area of approximately 39 acres including the lake. The gardeners at Buckingham Palace are also responsible for the flower beds and grass areas at Kensington and St James's Palaces, an aggregate area of approximately 15 acres. Approximately 31,000 (2006-07: 36,000) people walked round the Buckingham Palace garden during the summer Garden Parties and around 360,000 (2006-07: 400,000) people saw parts of the garden as they walked out through it, having visited the Buckingham Palace State Apartments. In addition, 25,000 (2006-07: 29,000) people walked around the garden of Clarence House during summer opening visits.

### **Windsor Castle**

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

## FURNITURE AND EQUIPMENT

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

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

Commercial lettings of properties averaged 27 in 2007-08 (2006-07: 28).

## COMMUNICATIONS AND INFORMATION

In 2007-08, special projects included the launch of a microsite to celebrate The Queen and The Duke of Edinburgh's Diamond Wedding Anniversary.

In December 2007 the Royal Channel was launched on YouTube and in January 2008 the web team acquired a video camera and editing equipment with which to make their own videos and edit third-party footage for the channel.

## ROYAL TRAVEL

Almost 3,000 official engagements were undertaken across the United Kingdom and overseas by members of the Royal Family during the year to 31st March 2008. These involved a significant amount of travel that needed to be undertaken in a way which met efficiency, security and presentational requirements and minimised disruption to the public. A list of the 43 journeys undertaken by members of the Royal Family and their staff during 2007-08 which had travel costs of £10,000 or more, met from the Royal Travel Grant-in-aid, is given on pages 124 to 129.

The largest tours during the year were those undertaken by The Queen to the United States of America and Uganda and the Prince of Wales and The Duchess of Cornwall to Uganda and Turkey and to the Caribbean.

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 aim to minimise this impact without compromising the ability of The Queen and members of the Royal Family to fulfil their official duties. With effect from 1st January 2007, the Royal Household has participated in the Government Carbon Offsetting Fund. In 2007-08, 3,036 tonnes of carbon are due to be offset at a cost of £54,000.

# FUTURE DEVELOPMENTS

Developments planned for the next year include the following:

## INFORMATION SYSTEMS

Throughout 2008 several major IT systems will go live within the Royal Household network, including new personnel and payroll, accounting and archive systems. For consistency and to reduce costs these systems will be shared with users in the Royal Collection and The Prince of Wales's Household.

A new disaster recovery site will be built and tested for use by the Royal Household and Royal Collection networks. The remaining focus will be on projects to improve network security and information assurance.

## TELECOMMUNICATIONS

The Royal Household currently receives more than 700,000 calls a year, just over half of which are handled by the switchboard operators. During 2008 the Household will carry out a review of all its fixed telecoms costs and consider the integration of voice and data circuits for both resilience and flexibility.

## FINANCE

After the successful merging of the Civil List, Grants-in-aid and Royal Collection finance functions in 2007-08, the implementation of BACS payments systems for the Civil List and Grants-in-aid and the introduction of new purchase order processing systems for the Civil List will be the main developments in 2008-9.

## PERSONNEL

Over the next year, Personnel will be launching an integrated personnel and payroll system which will provide enhanced accuracy, speed in processing and better access to management information. As a further development, recruitment will also be brought on-line. Currently 80% of all applications received are sent via e-mail and vacancies are advertised on the recently updated Royal Household recruitment website, and in 2009 an e-recruitment system will be introduced which will fully utilise the capacity of the internet to reach a wide candidate base and ensure all vacancies are processed speedily and effectively.

New training initiatives planned include an e-learning project, with the learning and development programme in 2008 tailored to support a Household-wide competency initiative.

The Household intranet is being upgraded to provide a more interactive experience to users with facilities for bulletin boards.

## PROPERTY SERVICES

The Quadrangle façade of the East wing of Buckingham Palace, which is constructed of Caen stone, 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. It is now a major risk to health and safety and it is estimated that the repair of this façade will cost in the region of £3 million over the next three years. Work commenced on this project in 2007-08 and will be carried out in two separate phases following completion of a trial area.

Other major projects include the following:

### **Replacement of Services at Buckingham Palace**

Over the next ten years or so, it is intended to replace the heating, hot-water and electrical services throughout the Palace, most of which is over 40 years old. Initially main fuse boards will be replaced, but with the completion of the Back Mews and vacation of areas that could be used as temporary accommodation, it is proposed to replace services within one half of one wing of the Palace at one floor level a year. Asbestos removal will be part of this programme and the opportunity will be taken to install containment for data and telephone services to allow them to be upgraded in the future with relative ease.

### **Internal Refurbishments at St James's Palace**

In 2004-06, office areas within York House and Apartment 32 were refurbished, but the Central Chancery remains outstanding. Similar works are urgently required to replace the electrical services, which are at the end of their life and are difficult to modify and maintain. At the same time, heating and hot-water services will be replaced, which will require the removal of asbestos contamination. New services will include data and telephones, using Cat 5 cabling.

To enable this project to be undertaken, it is proposed to refurbish Birdman's Lodge, which has been vacant for over five years, as office accommodation for the Property Section. This will allow the current Property Section offices in Apartment 22 to be used as temporary space for the Central Chancery. On completion, it may be possible to commercially let Apartment 22.

### **External Fabric Repairs**

The long-term programme of external fabric repairs at Buckingham Palace and Windsor is extensive and is therefore dependent on increased funding. It is however intended to manage a limited programme of repairs over the next five years. It may not be possible to carry out much work to the Palace in view of the expenditure on the Quadrangle façade, but it is hoped that some of the roofs of the Upper Ward, Windsor will be renewed. It is also proposed to replace some lead and slate roofs in the Home Park which are in poor condition.

## ENVIRONMENTAL

The Royal Household have undertaken a study with the Carbon Trust to review opportunities for more effective carbon management. The results of this review will assist further development of the Household's Carbon Management Strategy in 2008-09.

Where services are being renewed, environmental issues are already being considered. 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 further used to irrigate the garden. Waste management continues to be improved in partnership with waste companies, and in-house measures will be implemented throughout the Household to reduce waste at source.

## COMMUNICATIONS AND INFORMATION

The British Monarchy website will be redesigned in 2008-09 to provide improved accessibility, allowing visitors with visual and motor difficulties to use the site. It will also include additional video and audio content, podcasts and interactive features to enrich the presentation of ceremonies and symbols.

## ROYAL TRAVEL

### **The Queen's Helicopter**

In anticipation of the expiry of the 10 year lease on The Queen's Helicopter in January 2009, the Household supported by specialist aviation consultants, issued a tender in 2007-08 for the replacement of the helicopter. Following a competitive tender the Sikorsky Aircraft Corporation was the successful bidder and will deliver the new Helicopter in August 2009.

### **Royal Train**

The Royal Household, supported by specialist rail consultants, issued a tender for the maintenance of the Royal Train in October 2007. As a result, English Welsh & Scottish Railways will assume responsibility for maintenance of the Royal Train from August 2008 at no increase in cost. Further opportunities for increasing the cost effectiveness of the Royal Train's operations will continue to be explored with English Welsh & Scottish Railways.

### **Independent air travel review**

The Department for Transport have approved the acquisition of a small fixed wing aircraft to partially replace the service currently supplied by 32 Squadron from 1st April 2009. The Royal Household will issue a tender document in 2008.

### **Revision of the Financial Memorandum**

In view of the anticipated changes in Royal Travel operations arising from the acquisition of a fixed wing aircraft, the planned update by the Royal Household and the Department for Transport of the Financial Memorandum and the Household's internal guidance on Royal Travel, which was originally scheduled for 2006-07, will now be completed during 2008-09.



# STATEMENT ON INTERNAL CONTROLS

A system of internal control is in place to safeguard the assets purchased from, and the funds of, the Grants-in-aid and the Civil List, and to give reasonable assurance that the policies of the operations funded from the Grants-in-aid and Civil List 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 Grants-in-aid and Civil List, set out in their five year plans; 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 Grants-in-aid and Civil List:

- **Control environment:** The operations funded from the Grants-in-aid and Civil List 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 Grants-in-aid and Civil List to the respective Management Group. The employees paid from the Grants-in-aid and Civil List 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 Grants-in-aid and Civil List, which include the preparation of annual budgets and five-year plans, all of which are approved by the Lord Chamberlain's Committee. For the Grants-in-aid quarterly results are reported against budget, whilst for the Civil List monthly expenditure is reported against budget. Significant variances to budget and key performance indicators are examined 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 Grants-in-aid and Civil List has been completed. A risk and control assessment identifies the types of risks faced by the Grants-in-aid and Civil List and weighs 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 Grants-in-aid and Civil List 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 regularly revised and monitored by management.
- **Audit and supervision:** The Grants-in-aid and Civil List are subject to extensive supervision and control. The Royal Household's management of the Grant-in-aid for Property Services is subject to supervision by the Department for Culture, Media and Sport; the Grant-in-aid for Royal Travel is subject to supervision by the Department for Transport; and the Civil List is subject to supervision by The Treasury. The Royal 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 Department for Transport and The Treasury. 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 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 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

5th June 2008

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

## THE CIVIL LIST

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

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

## GRANT-IN-AID FOR PROPERTY SERVICES, ROYAL COMMUNICATIONS AND INFORMATION AND THE MAINTENANCE OF MARLBOROUGH HOUSE

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

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

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

## GRANT-IN-AID FOR ROYAL TRAVEL

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

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

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

## GENERAL

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

- the Royal Household maintains the books and records which are proper and necessary to enable it to discharge its responsibility, as set out in the Financial Memoranda, for the income and expenditure;
- the Grants-in-aid and Civil List are used economically, efficiently and effectively to secure best value for money, in accordance with propriety and regularity;
- staff paid from the Grants-in-aid or Civil List take financial considerations fully into account at all stages in framing, reaching and executing decisions in so far as the Grants-in-aid or Civil List is concerned; and
- proper, effective and timely follow-up action is taken to all internal and external audit reports.

The Keeper of the Privy Purse is also responsible for safeguarding the assets acquired from Grants-in-aid and Civil List funds and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The Keeper of the Privy Purse, who held office at the date of approval of this report, confirms that, so far as he is aware, there is no relevant audit information of which the Civil List and Grants-in-aid auditors are unaware; and he has taken all the steps that he ought to have taken as Keeper of the Privy Purse to make himself aware of any relevant audit information and to establish that the Civil List and Grants-in-aid auditors are aware of that information.

This Annual Report is also published on the Royal Household website; the maintenance and integrity of the website is the responsibility of the Lord Chamberlain's Committee.

**Sir Alan Reid**

Keeper of the Privy Purse

5th June 2008