

The Queen's Civil List

Annual Report 2008

CONTENTS

	Page
Income and Expenditure Account	44
Statement of Total Recognised Gains and Losses	45
Balance Sheet	46
Cash Flow Statement	47
Civil List Reserve	48
Notes to the Accounts	49
Report of the Auditor to the Chancellor of the Exchequer	55
Appendices:	
Appendix 1: Additional Notes to the Income and Expenditure Account	57
Appendix 2: Five Year Information	58

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st December</i>		2008	2007
	Note	£m	£m
Civil List funding received:			
Annual Civil List		7.9	7.9
Draw-down from reserve		6.4	4.9
		14.3	12.8
Salaries	3	9.9	9.1
Other expenditure			
Catering and hospitality		1.1	1.2
Executive and administrative		1.5	1.2
Housekeeping and furnishings		0.7	0.6
Ceremonial functions		0.4	0.2
Other		0.3	0.4
Total net expenditure	5	13.9	12.7
Net surplus taken to reserves		0.4	0.1

Total net expenditure in 2008 includes approximately £0.7 million in respect of VAT (2007: £0.6 million).

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

The results shown above relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31st December</i>		2008	2007
	Note	£m	£m
Net surplus taken to reserves		0.4	0.1
Actuarial (loss) /gain for the year		(0.1)	0.2
Total recognised gains relating to the year		0.3	0.3
		=====	=====

BALANCE SHEET

<i>As at 31st December</i>		2008	2007
	Note	£m	£m
Fixed assets	6	2.4	2.1
Current assets			
Stock	7	0.4	0.4
Debtors	8	1.1	1.1
Cash at bank and in hand		0.8	0.6
		2.3	2.1
Creditors: amounts falling due within one year	9	(1.9)	(1.7)
Net current assets		0.4	0.4
Total assets less current liabilities excluding pension scheme liability		2.8	2.5
Pension scheme liability	4	(1.0)	(1.0)
Net assets		1.8	1.5

Represented by:

Reserves	10	1.8	1.5
		=====	=====

Sir Alan Reid

Keeper of the Privy Purse

4th June 2009

CASH FLOW STATEMENT

<i>Year to 31st December</i>	2008 £m	2008 £m	2007 £m	2007 £m
Reconciliation of total net expenditure to Civil List funding				
Total net expenditure		(13.9)		(12.7)
Depreciation	0.5		0.5	
Net excess of contributions over pension service costs	(0.1)		–	
Increase in debtors	–		(0.1)	
Increase in creditors due within one year	0.2		0.1	
	0.6		0.5	
Net cash outflow from activities		(13.3)		(12.2)
Capital expenditure – fixed assets acquired	(0.8)		(0.6)	
Net cash outflow before funding		(14.1)		(12.8)
Civil List funding received	14.3		12.8	
Net increase in cash		0.2		–
	0.2		–	

Reconciliation of cash balances	2008 £m	2007 £m
Cash at bank as at 1st January	0.6	0.6
Net increase in cash	0.2	–
Cash at bank as at 31st December	0.8	0.6

CIVIL LIST RESERVE

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

During the last ten-year period to December 2000 a surplus of £35 million was accumulated, and is invested by the Royal Household Investment Committee. It was agreed that the Civil List would remain at an annual amount of £7.9 million for the following ten-year period to December 2010, and there would be a transfer of additional expenditure to the Civil List with effect from 1st April 2001. To the extent that Civil List annual expenditure exceeded the £7.9 million payment, amounts could be withdrawn from the reserve each year rather than being paid into it.

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

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

	2008	2007
	£m	£m
Net expenditure for the year	(13.9)	(12.7)
Net increase in fixed assets	(0.3)	(0.1)
Net excess of contributions over pension service costs	(0.1)	—
Total cash received	<u>(14.3)</u>	<u>(12.8)</u>
 Civil List reserve		
	2008	2007
	£m	£m
Balance brought forward	26.0	29.4
Interest received	1.4	1.5
Draw-down	(6.4)	(4.9)
Balance carried forward	<u>21.0</u>	<u>26.0</u>

The reserve is invested in money market deposits.

The draw-down for 2009 is expected to be £7.0 million for revenue and capital expenditure.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts.

a) Basis of preparation

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

b) Recharges

All recharges are accounted for on a receivable basis.

c) Leases

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

d) Fixed assets and depreciation

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

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

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

e) Stock

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

f) Pensions

The Civil List participates in two pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Civil List. Contributions to the schemes are charged to the Income and Expenditure Account to reflect the cost of benefits accruing to members so as to spread pension costs over employees'

working lives with the Royal Household. One of these pension schemes, managed by the Government, is not a funded scheme. As permitted by FRS 17: Retirement Benefits, this scheme is treated as a defined contribution scheme by the Civil List and the full cost of contributions made in the year is reflected in the Income and Expenditure Account.

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

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

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

g) Reserves

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

2. SEGMENTAL ANALYSIS

	Salaries		Other costs		Total	
	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m
Catering and hospitality	1.7	1.5	1.1	1.2	2.8	2.7
Executive and administrative	3.7	3.4	1.5	1.2	5.2	4.6
Housekeeping and furnishings	2.9	2.7	0.7	0.6	3.6	3.3
Ceremonial functions	1.7	1.5	0.4	0.2	2.1	1.7
Other costs	(0.1)	—	0.3	0.4	0.2	0.4
Total	9.9	9.1	4.0	3.6	13.9	12.7

Salaries - Other costs relates to non cash pension costs.

3. STAFF NUMBERS AND COSTS

Staff Numbers

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

	2008	2007
Lord Chamberlain	1	1
Private Secretary's Office	47	45
Privy Purse and Treasurer's Office	26	26
Master of the Household's Department	165	165
Lord Chamberlain's Office	59	59
	<hr/>	<hr/>
	298	296
	<hr/>	<hr/>

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

Payroll Costs

	2008	2007
	£m	£m
Salaries	7.6	7.1
Temporary staff	0.3	0.2
National Insurance	0.7	0.6
Pension contributions	1.3	1.2
	<hr/>	<hr/>
	9.9	9.1
	<hr/>	<hr/>

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).

4. PENSION ARRANGEMENTS

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

5. TOTAL NET EXPENDITURE

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

	2008 £m	2007 £m
Depreciation	0.5	0.5
Rentals under operating leases	0.1	0.1
Service charges and recharges	(3.4)	(3.1)

The remuneration of the Civil List Auditor was £nil in 2008 (2007: £nil). There were no additional fees paid to the Auditor during 2008 or 2007.

6. FIXED ASSETS

	Information Systems	Furnishings & Equipment	Horses & Liveries	Assets in course of construction	Total
	£m	£m	£m	£m	£m
Cost					
At 1st January 2008	2.7	2.1	0.5	—	5.3
Additions	0.3	0.1	—	0.4	0.8
Disposals	(1.3)	(0.5)	—	—	(1.8)
Transfers	(0.6)	0.5	0.2	(0.1)	—
At 31st December 2008	1.1	2.2	0.7	0.3	4.3
<hr/> Depreciation <hr/>					
At 1st January 2008	2.2	0.8	0.2	—	3.2
Charge for the year	0.3	0.1	0.1	—	0.5
Disposals	(1.3)	(0.5)	—	—	(1.8)
Transfers	(0.5)	0.5	—	—	—
At 31st December 2008	0.7	0.9	0.3	—	1.9
<hr/> Net book value <hr/>					
At 31st December 2008	0.4	1.3	0.4	0.3	2.4
At 1st January 2008	0.5	1.3	0.3	—	2.1

7. STOCK

	2008 £m	2007 £m
Wine and spirits	0.4	0.4
	<u>0.4</u>	<u>0.4</u>

Wine is held in stock to age.

8. DEBTORS

	2008 £m	2007 £m
Recharges	0.6	0.6
Other debtors	0.4	0.5
Prepayments	0.1	—
	<u>1.1</u>	<u>1.1</u>

9. CREDITORS: amounts falling due within one year

	2008 £m	2007 £m
Amounts due to suppliers	0.3	0.2
PAYE, National Insurance and Pension contributions	0.9	0.8
Accruals	0.7	0.7
	<u>1.9</u>	<u>1.7</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 2008	2.1	0.4	(1.0)	1.5
Movement in year	0.3	—	—	0.3
As at 31st December 2008	<u>2.4</u>	<u>0.4</u>	<u>(1.0)</u>	<u>1.8</u>

11. COMMITMENTS

Operating lease commitments are as follows:

	2008 £m	2007 £m
Expiring between 2 and 5 years	—	0.1

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.

	2008 £m	2007 £m	2008 £m	2007 £m
Balance due from:		Recoveries from:		
Royal Collection Trust	0.1	—	1.1	1.0
Property Services Grant-in-aid	—	0.1	0.6	0.7
Royal Travel Grant-in-aid	—	—	0.1	0.1
Privy Purse	0.1	0.1	0.3	0.2
Other Royal Households	0.2	0.1	0.6	0.4
Balance due to:		Charged by:		
Privy Purse	—	—	0.1	0.1

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

Recoveries are mainly management fees charged by the Civil List for various services including 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.

REPORT OF THE AUDITOR TO THE CHANCELLOR OF THE EXCHEQUER

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

Respective responsibilities of the Royal Household and the Auditor

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

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

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

I review the statement on internal controls on pages 37 and 38 and report if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounts.

Basis of opinion

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

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

Opinion

In my opinion:

- I. the accounts give a true and fair view of the state of affairs at 31st December 2008 and of the net expenditure, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Civil List Audit Act 1816 and directions made thereunder by the Treasury; and
- II. in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Sir Nicholas Macpherson

Civil List Auditor

Government Offices
1 Horse Guards Road
London
SW1A 2HQ

4th June 2009

APPENDIX 1: ADDITIONAL NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

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

Catering and hospitality

	2008 £m	2007 £m
Garden parties	0.6	0.7
Food and kitchens	0.5	0.5
	<hr/> 1.1	<hr/> 1.2
	<hr/> <hr/>	<hr/> <hr/>

Executive and administrative

	2008 £m	2007 £m
Recruitment and training	0.3	0.3
Depreciation (net of recharges)	0.3	0.3
Stationery, printing and binding	0.2	0.1
Computers and information systems	0.4	0.2
Legal advice and other professional services	0.2	0.2
Travel	0.1	0.1
	<hr/> 1.5	<hr/> 1.2
	<hr/> <hr/>	<hr/> <hr/>

Housekeeping and furnishings

	2008 £m	2007 £m
Housekeeping	0.3	0.3
Furnishings and equipment	0.4	0.3
	<hr/> 0.7	<hr/> 0.6
	<hr/> <hr/>	<hr/> <hr/>

Ceremonial functions

	2008 £m	2007 £m
Carriage processions	0.1	–
Uniforms and protective clothing	0.2	0.1
Motor vehicles	0.1	0.1
	<hr/> 0.4	<hr/> 0.2
	<hr/> <hr/>	<hr/> <hr/>

APPENDIX 2: FIVE YEAR INFORMATION

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st December</i>	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Civil List funding received:					
Annual Civil List	7.9	7.9	7.9	7.9	7.9
Draw-down from reserve	6.4	4.9	4.1	3.4	2.8
	<u>14.3</u>	<u>12.8</u>	<u>12.0</u>	<u>11.3</u>	<u>10.7</u>
Salaries					
	9.9	9.1	8.8	8.3	7.6
Other expenditure					
Catering and hospitality	1.1	1.2	1.1	1.0	0.9
Executive and administrative	1.5	1.2	1.0	0.9	1.0
Housekeeping and furnishings	0.7	0.6	0.5	0.5	0.5
Ceremonial functions	0.4	0.2	0.3	0.3	0.2
Other costs	0.3	0.4	0.5	0.3	0.4
Total net expenditure	<u>13.9</u>	<u>12.7</u>	<u>12.2</u>	<u>11.3</u>	<u>10.6</u>
Net surplus/(deficit) taken to/(from) reserves	0.4	0.1	(0.2)	—	0.1
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

PERFORMANCE INDICATORS AND OPERATING RATIOS

	2008	2007	2006	2005	2004
Increase in net Civil List expenditure	9.4%	4.1%	8.0%	6.6%	7.1%
Suppliers paid within:					
• 30 days	71%	79%	81%	89%	91%
• 40 days	83%	87%	89%	93%	95%
• 50 days	89%	92%	92%	96%	97%
Staff Numbers	298	296	284	278	281