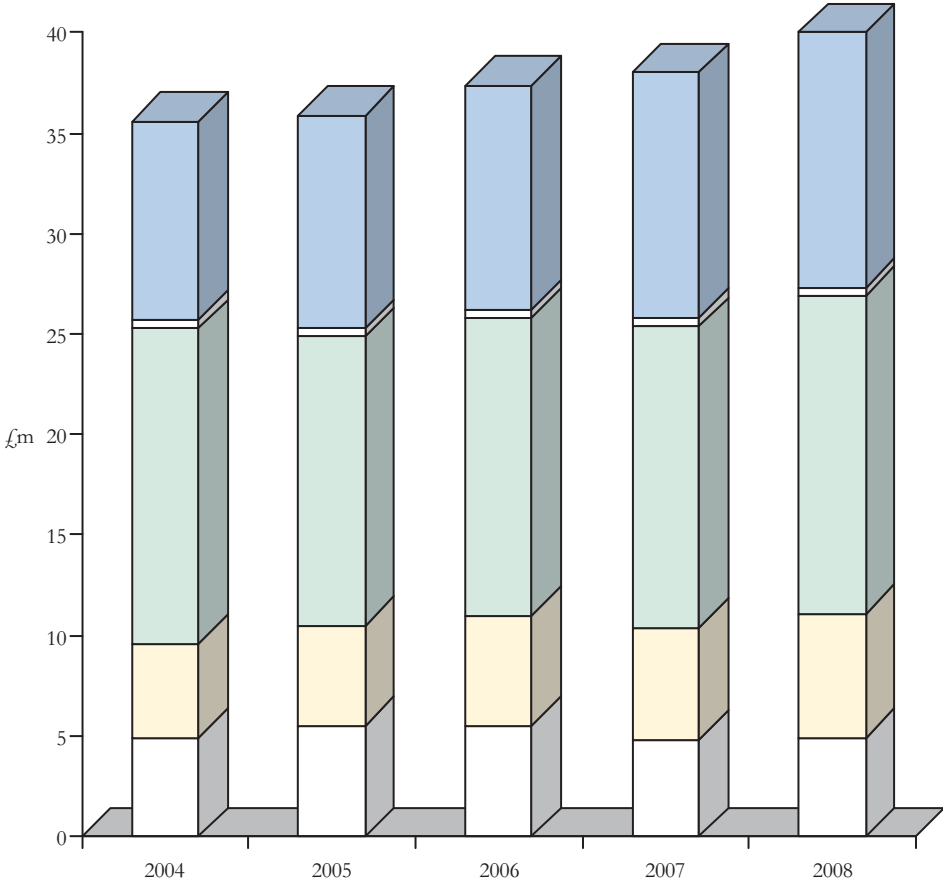


HEAD OF STATE EXPENDITURE MET FROM PUBLIC FUNDS

Five Years to March 2008



KEY¹

- The Queen's Civil List
- Parliamentary Annuities
- Grant-in-aid for Property Services and Communications and Information
- Grant-in-aid for Royal Travel by Air and Rail
- Government Departments and the Crown Estate

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

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HEAD OF STATE EXPENDITURE MET FROM PUBLIC FUNDS

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

² 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.

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

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

³ Figures are not audited

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

⁵ 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.

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

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:

	The Civil List	Property Services, Communications and Information and Marlborough House	Royal Travel
Private Secretary to The Queen	Private Secretaries, Researchers, Press Office, Records Management, Security Liaison	Communication and Information Policy	Travel Policy, Security and Safety
Keeper of the Privy Purse	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
Master of the Household	Event Management, Catering and Hospitality, House Management (Occupied Royal Palaces), Logistics	Craftsmen	
Comptroller, Lord Chamberlain's Office	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>	Salary		Pension Payments¹	
	2007-08	2006-07	2007-08	2006-07
	£'000	£'000	£'000	£'000
The Earl Peel	78	36	12	5
The Rt Hon. Lord Janvrin	104	177	–	–
The Rt Hon. Christopher Geidt	131	111	20	17
Sir Alan Reid	187	189	30	31
Air Vice-Marshal David Walker	107	101	37	35
Lt Col. Andrew Ford	90	82	14	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:

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

¹ 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-Marshal 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, fileservers 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

The Queen's Civil List
Annual Report 2007

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INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st December</i>		2007	2006
	Note	£m	£m
Civil List funding received:			
Annual Civil List		7.9	7.9
Draw-down from reserve		4.9	4.1
		<u>12.8</u>	<u>12.0</u>
		<u><u>12.8</u></u>	<u><u>12.0</u></u>
Salaries	3	9.1	8.8
Other expenditure			
Catering and hospitality		1.2	1.1
Executive and administrative		1.2	1.0
Housekeeping and furnishings		0.6	0.5
Ceremonial functions		0.2	0.3
Other		0.4	0.5
Total net expenditure	5	<u>12.7</u>	<u>12.2</u>
		<u><u>12.7</u></u>	<u><u>12.2</u></u>
Net surplus/(deficit) taken to/(from) reserves		<u>0.1</u>	<u>(0.2)</u>
		<u><u>0.1</u></u>	<u><u>(0.2)</u></u>

Total net expenditure in 2007 includes approximately £0.6 million in respect of VAT (£0.6 million in 2006).

The accounting policies are summarised on pages 45 and 46. 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 41, 42 and 43 respectively.

The results shown above relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31st December</i>	Note	2007 £m	2006 £m
Net surplus/(deficit) taken to/(from) reserves		0.1	(0.2)
Actuarial gain for the year		0.2	0.3
Total recognised gains relating to the year		<u>0.3</u>	<u>0.1</u>

BALANCE SHEET

<i>As at 31st December</i>		2007	2006
	Note	£m	£m
Fixed assets	6	2.1	2.0
Current assets			
Stock	7	0.4	0.4
Debtors	8	1.1	1.0
Cash at bank and in hand		0.6	0.6
		2.1	2.0
Creditors: amounts falling due within one year	9	(1.7)	(1.6)
Net current assets		0.4	0.4
Total assets less current liabilities excluding pension scheme liability		2.5	2.4
Pension scheme liability	4	(1.0)	(1.2)
Net assets		1.5	1.2
		=====	=====
Represented by:			
Reserves	10	1.5	1.2
		=====	=====

Sir Alan Reid

Keeper of the Privy Purse

5th June 2008

CASH FLOW STATEMENT

<i>Year to 31st December</i>	2007	2007	2006	2006
	£m	£m	£m	£m
Reconciliation of total net expenditure to Civil List funding				
Total net expenditure		(12.7)		(12.2)
Depreciation	0.5		0.4	
Net excess of pension service costs over contributions	–		0.2	
Decrease in stock	–		0.1	
Increase in debtors	(0.1)		(0.2)	
Increase in creditors due within one year	0.1		0.3	
		<u>0.5</u>		<u>0.8</u>
Net cash outflow from activities		<u>(12.2)</u>		<u>(11.4)</u>
Capital expenditure – fixed assets acquired		(0.6)		(0.5)
Net cash outflow before funding		<u>(12.8)</u>		<u>(11.9)</u>
Civil List funding received		12.8		12.0
Net increase in cash		<u>–</u>		<u>0.1</u>
		<u><u>–</u></u>		<u><u>0.1</u></u>
Reconciliation of cash balances		2007		2006
		£m		£m
Cash at bank as at 1st January		0.6		0.5
Net increase in cash		–		0.1
Cash at bank as at 31st December		<u>0.6</u>		<u>0.6</u>
		<u><u>0.6</u></u>		<u><u>0.6</u></u>

CIVIL LIST RESERVE

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

During the last ten-year period to December 2000 a surplus of £35 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.

	2007	2006
	£m	£m
Net expenditure for the year	(12.7)	(12.2)
Net increase in fixed assets	(0.1)	(0.1)
Net decrease in stock	–	0.1
Net excess of pension service costs over contributions	–	0.2
Total cash received	(12.8)	(12.0)
	<hr/> <hr/>	<hr/> <hr/>
Civil List reserve	2007	2006
	£m	£m
Balance brought forward	29.4	32.2
Interest received	1.5	1.3
Draw-down	(4.9)	(4.1)
Balance carried forward	26.0	29.4
	<hr/> <hr/>	<hr/> <hr/>

The reserve is invested in money market deposits.

The draw-down for 2008 is expected to be £6.5 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 direction given by the Treasury under Section 9 of the Civil List Audit Act 1816 and have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. The accounts have been prepared on an accruals basis.

b) 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 valued at the lower of cost and market 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 note 4.

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	
	2007	2006	2007	2006	2007	2006
	£m	£m	£m	£m	£m	£m
Catering and hospitality	1.5	1.4	1.2	1.1	2.7	2.5
Executive and administrative	3.4	3.4	1.2	1.0	4.6	4.4
Housekeeping and furnishings	2.7	2.4	0.6	0.5	3.3	2.9
Ceremonial functions	1.5	1.4	0.2	0.3	1.7	1.7
Other costs	–	0.2	0.4	0.5	0.4	0.7
Total	9.1	8.8	3.6	3.4	12.7	12.2

Other costs - salaries relates to non cash pension costs.

3. STAFF NUMBERS AND COSTS

Establishment

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

	Number of staff	
	2007	2006
Lord Chamberlain	1	1
Private Secretary's Office	47	47
Privy Purse and Treasurer's Office	26	26
Master of the Household's Department	175	174
Lord Chamberlain's Office	62	63
Establishment for whom costs borne by Civil List	<u>311</u>	<u>311</u>

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

Payroll Costs

	2007	2006
	£m	£m
Salaries	7.1	6.7
Temporary staff	0.2	0.3
National Insurance	0.6	0.6
Pension contributions	1.2	1.2
	<u>9.1</u>	<u>8.8</u>

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

4. PENSION ARRANGEMENTS

Until 31st March 2002, all full-time permanent employees were entitled to be members of:

- (a) a scheme managed by the Government analogous to the Civil Service pension scheme (the Royal Household Pension Scheme); or
- (b) a scheme managed by trustees on behalf of the Royal Household (the Royal Households Group Pension Scheme).

Both pension schemes provide similar pension benefits based on final pay and are non-contributory for employees (except in respect of widows'/widowers' benefits for the Government managed scheme). Full-time permanent employees joining from 1st April 2002 are entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme. Information about the schemes is set out below.

Royal Household Pension Scheme

The scheme is managed by the Government and has terms analogous to the Principal Civil Service Pension Scheme. Eligible employees are those paid from the Civil List who joined the Royal Household prior to 1st April 2001. Pension contributions are paid directly to the Consolidated Fund; in turn, pension benefits are paid directly from the Consolidated Fund on a defined benefit basis. The contribution rate during the year was 19.7% of pensionable pay based on the latest valuation by the Government Actuary's Department. The contribution rates reflect the cost of pension benefits as they are earned by employees.

The pension scheme, managed by the Government, is not a funded scheme. As permitted by FRS 17: Retirement Benefits, this scheme is treated as a defined contribution scheme by the Civil List.

Royal Households Group Pension Scheme

All full-time permanent employees who joined before 31st March 2002 and are not members of the Royal Household Pension Scheme are entitled to be members of the Royal Households Group Pension Scheme, which is managed by trustees on behalf of the Royal Household. The scheme provides benefits which are based on final pay and is non-contributory for employees.

The contribution rate for the scheme is based on triennial valuations undertaken by a qualified independent actuary using the projected unit method. As the scheme is closed to new entrants, under the projected unit method the current service cost will increase as the members approach retirement. The most recent completed valuation was as at 1st January 2006. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. It was assumed that the real investment return would be 1.7% per annum post-retirement and 3.2% per annum pre-retirement, that real salary increases would average 1.5% per annum and that pensions would increase at the rates specified in the scheme rules.

The most recent actuarial valuation showed that the total market value of the assets of the scheme was £24.5 million and that this value of the assets was sufficient to cover 69% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Following this valuation, the employer's contribution rate in respect of staff employed by the Civil List increased to 25.1% from 1st January 2007 (previously 17.6%), plus an index-linked annual payment of £59,000 (previously £23,000).

The valuation used for this disclosure has been based on the most recent actuarial review of the Royal Households Group Pension Scheme as at 1st January 2006 updated by an independent qualified actuary, Hewitt, to take account of the requirements of FRS 17: Retirement Benefits in order to assess the liabilities in respect of the Civil List section of the scheme at 31st December 2007. Scheme assets in respect of the Civil List section of the scheme are stated at their market values at 31st December 2007.

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

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 21.6 years if they are male and for a further 23.7 years if they are female. For a member who retires in 2025 at age 65 the assumptions are that they will live on average for a further 23.4 years after retirement if they are male and for a further 24.8 years after retirement if they are female.

The Royal Household employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme as at 31st December 2007.

	2007	2006	2005
Average annual expected long-term rate of return/total fair value of assets	6.89%	6.91%	6.45%

	Value as at 31st December		
	2007	2006	2005
	£m	£m	£m
Fair value of scheme assets	2.4	1.9	1.6
Present value of funded defined benefit obligations	(3.4)	(3.1)	(2.9)
Net pension liability recognised on the balance sheet	<u>(1.0)</u>	<u>(1.2)</u>	<u>(1.3)</u>

There is therefore a net pension liability of £1.0 million as at 31st December 2007 (2006: £1.2 million). The amount of this net pension liability has a consequential effect on reserves.

Analysis of amounts charged against income and expenditure

Year to 31st December	2007	2006
	£m	£m
Current service cost	0.3	0.4
Expected return on scheme assets	(0.2)	(0.1)
Interest on pension scheme liabilities	0.2	0.1
Expense recognised in Income and Expenditure Account	<u>0.3</u>	<u>0.4</u>

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

	2007	2006
	£m	£m
Defined benefit obligations as at 1st January	3.1	2.9
Movement in year:		
Current service cost	0.3	0.4
Interest cost	0.2	0.1
Actuarial gains on scheme liabilities	(0.2)	(0.3)
Defined benefit obligations as at 31st December	<u>3.4</u>	<u>3.1</u>

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

	2007	2006
	£m	£m
Fair value of scheme assets as at 1st January	1.9	1.6
Movement in year:		
Expected return on scheme assets	0.2	0.1
Contributions by the employer	0.3	0.2
Actuarial gains/(losses) on scheme assets	—	—
Fair value of scheme assets as at 31st December	<u>2.4</u>	<u>1.9</u>

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

	2007	2006
	£m	£m
Deficit as at 1st January	(1.2)	(1.3)
Movement in year:		
Current service cost	(0.3)	(0.4)
Contributions	0.3	0.2
Actuarial gains	0.2	0.3
Deficit as at 31st December	<u>(1.0)</u>	<u>(1.2)</u>

The actual return on scheme assets comprises:

	2007	2006
	£m	£m
Expected return on scheme assets	0.2	0.1
Actuarial gains/(losses) on scheme assets	–	–
Actual return on scheme assets	<u>0.2</u>	<u>0.1</u>

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

	2007	2006
	£m	£m
Total actuarial gains	0.2	0.3
Total gains in STRGL	0.2	0.3
Cumulative amount of gains recognised in STRGL	0.5	0.3

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

	2007	2006	2005
	£m	£m	£m
Fair value of scheme assets	2.4	1.9	1.6
Defined benefit obligations	(3.4)	(3.1)	(2.9)
Deficit in scheme	<u>(1.0)</u>	<u>(1.2)</u>	<u>(1.3)</u>

The history of experience gains and losses is as follows:

	2007	2006	2005
	£m	£m	£m
Experience gains/(losses) on scheme assets	–	–	0.2
Experience gains/(losses) on scheme liabilities	(0.1)	0.2	–

Estimate of income and expenditure charge for the coming year:

Using the assumptions for return on the assets set out above, the charge to the income and expenditure account for the next year is explained as follows:

Year to 31st December	2008
	£m
Current service cost	0.3
Expected return on scheme assets	(0.2)
Interest on pension scheme liabilities	0.2
Total estimated pension expense	<u>0.3</u>

Royal Household Defined Contribution (Stakeholder) Pension Scheme

Full-time permanent employees joining from 1st April 2002 are entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme (“the Stakeholder Scheme”), which is a stakeholder arrangement administered by Legal & General. The Stakeholder Scheme is non-contributory for employees and the Royal Household pays contributions into the fund for each employee. The current rate of contribution is 15% of pensionable salary. Benefits are based on contribution levels linked to investment returns over the period to retirement. Employees can, if they wish, make their own contributions up to the Inland Revenue limits.

5. TOTAL NET EXPENDITURE

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

	2007	2006
	£m	£m
Depreciation	0.5	0.4
Rentals under operating leases	0.1	0.1
Service charges and recharges	(3.1)	(2.7)

The remuneration of the Civil List Auditor was £nil (£nil in 2006). There were no additional fees paid to the Auditor during 2007 or 2006.

6. FIXED ASSETS

	Information Systems	Furnishings & Equipment	Horses & Liveries	Total
	£m	£m	£m	£m
Cost				
At 1st January 2007	2.5	1.8	0.4	4.7
Additions	0.2	0.3	0.1	0.6
At 31st December 2007	<u>2.7</u>	<u>2.1</u>	<u>0.5</u>	<u>5.3</u>
Depreciation				
At 1st January 2007	1.9	0.7	0.1	2.7
Charge for the year	0.3	0.1	0.1	0.5
At 31st December 2007	<u>2.2</u>	<u>0.8</u>	<u>0.2</u>	<u>3.2</u>
Net book value				
At 31st December 2007	<u>0.5</u>	<u>1.3</u>	<u>0.3</u>	<u>2.1</u>
At 1st January 2007	<u>0.6</u>	<u>1.1</u>	<u>0.3</u>	<u>2.0</u>

7. STOCK

	2007	2006
	£m	£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

	2007	2006
	£m	£m
Recharges	0.6	0.6
Other debtors	0.5	0.3
Prepayments	–	0.1
	<u>1.1</u>	<u>1.0</u>

9. CREDITORS: amounts falling due within one year

	2007	2006
	£m	£m
Amounts due to suppliers	0.2	0.3
PAYE and National Insurance	0.7	0.7
Pension contributions	0.1	0.2
Accruals	0.7	0.4
	<u>1.7</u>	<u>1.6</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	Stock reserve	Pension scheme deficit	Total reserves
	£m	£m	£m	£m
As at 1st January 2007	2.0	0.4	(1.2)	1.2
Movement in year	0.1	–	0.2	0.3
As at 31st December 2007	<u>2.1</u>	<u>0.4</u>	<u>(1.0)</u>	<u>1.5</u>

11. COMMITMENTS

Operating lease commitments are as follows:

	2007 £m	2006 £m
Expiring between 2 and 5 years	<u>0.1</u>	<u>0.1</u>

12. RELATED PARTY TRANSACTIONS

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

	2007 £m	2006 £m	2007 £m	2006 £m
	Balance due from:		Recoveries from:	
Royal Collection Trust	–	0.1	1.0	0.9
Property Services Grant-in-aid	0.1	0.1	0.7	0.7
Royal Travel Grant-in-aid	–	–	0.1	0.1
Privy Purse	0.1	0.1	0.2	0.2
Other Royal Households	0.1	0.2	0.4	0.3
	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 40 to 55 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 45 and 46.

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 33 and 34 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 2007 and of the net expenditure, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Civil List Audit Act 1816 and directions made thereunder by the Treasury; and
- II. in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Nicholas Macpherson

Civil List Auditor

Government Offices
1 Horse Guards Road
London
SW1A 2HQ

5th June 2008

APPENDIX A: ADDITIONAL NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

The segmental analysis on page 46 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

	2007	2006
	£m	£m
Garden parties	0.7	0.7
Food and kitchens	0.5	0.4
	<u>1.2</u>	<u>1.1</u>

Executive and administrative

	2007	2006
	£m	£m
Recruitment and training	0.3	0.2
Depreciation (net of recharges)	0.3	0.3
Stationery	0.1	0.1
Computers and information systems	0.2	0.2
Legal advice and other professional services	0.2	0.1
Travel	0.1	0.1
	<u>1.2</u>	<u>1.0</u>

Housekeeping and furnishings

	2007	2006
	£m	£m
Housekeeping	0.3	0.3
Furnishings and equipment	0.3	0.2
	<u>0.6</u>	<u>0.5</u>

Ceremonial functions

	2007	2006
	£m	£m
Carriage processions	–	0.1
Uniforms and protective clothing	0.1	0.1
Motor vehicles	0.1	0.1
	<u>0.2</u>	<u>0.3</u>

APPENDIX B: FIVE YEAR INFORMATION

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st December</i>	2007	2006	2005	2004	2003
	£m	£m	£m	£m	£m
Civil List funding received:					
Annual Civil List	7.9	7.9	7.9	7.9	7.9
Draw-down from reserve	4.9	4.1	3.4	2.8	2.6
	<u>12.8</u>	<u>12.0</u>	<u>11.3</u>	<u>10.7</u>	<u>10.5</u>
Salaries	9.1	8.8	8.3	7.6	7.1
Other expenditure					
Catering and hospitality	1.2	1.1	1.0	0.9	0.9
Executive and administrative	1.2	1.0	0.9	1.0	0.9
Housekeeping and furnishings	0.6	0.5	0.5	0.5	0.5
Ceremonial functions	0.2	0.3	0.3	0.2	0.2
Other costs	0.4	0.5	0.3	0.4	0.3
Total net expenditure	<u>12.7</u>	<u>12.2</u>	<u>11.3</u>	<u>10.6</u>	<u>9.9</u>
Net surplus/(deficit) taken to/(from) reserves	<u>0.1</u>	<u>(0.2)</u>	<u>–</u>	<u>0.1</u>	<u>0.6</u>

PERFORMANCE INDICATORS AND OPERATING RATIOS

	2007	2006	2005	2004	2003
Increase in net Civil List expenditure	4.1%	8.0%	6.6%	7.1%	2.0%
Suppliers paid within:					
• 30 days	79%	81%	89%	91%	91%
• 40 days	87%	89%	93%	95%	95%
• 50 days	92%	92%	96%	97%	96%
Establishment (after recharges)	311	311	310	307	303

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

1. The Royal Household shall prepare accounts for The Queen's Civil List (the Civil List) for the year ended 31st December 2003 and for subsequent financial years comprising :
 - (a) a narrative description of activities and results for the year;
 - (b) an Income and Expenditure Account;
 - (c) a balance sheet;
 - (d) a cash flow statement; and
 - (e) a statement of total recognised gains and losses,including such notes as may be necessary for the purposes referred to in the following paragraphs.
2. The accounts shall give a true and fair view of the income and expenditure, total recognised gains and cash flows for the year, and the state of affairs as at the end of the year, prepared in accordance with generally accepted accounting practice in the United Kingdom (UK GAAP).
3. The application of the accounting and disclosure requirements of the Companies Act, accounting standards and other disclosure requirements is given in Schedule 1 attached.
4. This direction shall be reproduced as an appendix to the accounts.

Ian Taylor

The Treasury Accountant

30th March 2004

SCHEDULE 1: ACCOUNTING AND DISCLOSURE REQUIREMENTS

Companies Act

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

Accounting Standards

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

Other disclosure requirements

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

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

Annual Report 2007-08

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MAINTENANCE OF THE OCCUPIED ROYAL PALACES (“PROPERTY SERVICES”)

PERFORMANCE INDICATORS AND OPERATING RATIOS

The performance indicators and operating ratios are intended to provide a concise assessment of the way in which the Royal Household manages the Grant-in-aid in the key areas where performance can be quantified. Where percentages in the following table are preceded by + or – they are quantifying the movement in the expenditure compared with the previous year.

<i>Year to 31st March</i>	2008 <i>Target</i>	2008 Actual	2007 Actual
	%	%	%
Funding			
Movement in voted revenue Grant-in-aid receivable in:			
• absolute terms	–	–	-0.7
• real terms	-4.0	-2.8	-6.6
Property Maintenance			
Fees and other indirect costs as a percentage of construction costs	18.5	17.0	16.2
Projects with a construction cost of £25,000 or more completed with a cost overrun of no more than:			
• 5% of the let tender amount	75	76	76
• the greater of £20,000 and 10% of the let tender amount	100	100	100
Percentage of fixed-price contracts with a construction cost of £25,000 or more let without competitive tendering	–	–	–
Telephones			
Movement in costs in real terms	–	-21.0	-9.1
Energy Consumption			
Movement in electricity costs in real terms	–	-7.3	-1.8
Movement in gas costs in real terms	–	-0.1	-6.2
Movement in water costs in real terms	–	-0.3	-6.0
Supplier Payments			
Percentage paid within:			
• 30 days	85	93	88
• 40 days	95	97	96
• 50 days of receipt of invoice	97	98	97
Average Weekly Number of AFD Activations	8	6	6
Staff Numbers	110	107	108

All 15 of the performance indicators set for 2007-08 (2006-07: 15) were met or bettered.

Adjustments to restate expenditure in real terms have been made using the inflation indices given on page 92. Explanations of the performance indicators, where required, are given below.

Fees and other indirect costs as a percentage of construction costs (or ratio)

This indicator measures the success in spending as large a proportion as feasible of the funding available for property maintenance on actual maintenance and building work and as small a proportion as feasible on related administration and fees. It is understood that the fees and other indirect costs ratio for work on listed buildings would normally be expected to be in the range of 15% to 20%. Reducing expenditure on fees may, of course, be a false economy if insufficient pre-planning and input from architects and other members of the design team means that building costs increase and/or that the quality of the work is compromised. Comparisons with industry standard rates per square metre are used wherever possible to check that fees have not been reduced at the expense of increased cost in other areas. In addition independent checks are undertaken to ensure that work undertaken is up to the high standard required. The achievement of this ratio will become increasingly difficult as the amount of funds available for Property maintenance continues to decline in real terms each year.

Percentage of projects with a construction cost of £25,000 or more (excluding VAT) completed with a cost overrun of no more than (a) 5% of the let tender amount, and (b) the greater of £20,000 and 10% of the let tender amount

Building projects in relation to historic buildings and conservation are particularly difficult to manage and costs can frequently exceed budget. By completing 75% of projects with an overrun of no more than 5% of the let tender amount and 100% of projects with an overrun of no more than the greater of £20,000 and 10% of the let tender amount, the Property Section meets demanding targets. It is also the Household's policy not to include undefined provisional sums and general contingencies in let tender amounts, which would otherwise distort the application of this performance indicator.

Average weekly number of AFD activations

This performance indicator monitors how effectively the automatic fire detection (AFD) system is managed. The average number of activations in 2007-08 for the Estate was 6 per week, compared with the benchmark of 12 per week calculated in accordance with the guidance set out in the British Standard for systems of comparable size.

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>		2008	2007
	Note	£m	£m
Amount of Revenue Grant-in-aid voted by Parliament		15.0	15.0
Capital Grant-in-aid drawn down		0.7	0.2
Grant-in-aid drawn down		15.7	15.2
Property Maintenance			
Projects and general maintenance	2	9.0	8.7
Less: Income from facilities management charge		(1.8)	(1.8)
Supervision		1.4	1.3
		8.6	8.2
Utilities		2.2	2.4
Fire, health and safety services		1.3	1.3
Non-domestic rates		0.8	0.7
Court Post Office		0.6	0.7
Gardens		0.9	0.7
Furniture and equipment		0.6	0.6
Central administration		0.3	0.5
Information Systems ¹		0.3	0.2
Rent and other recoveries		(1.0)	(1.1)
Maintenance of commercial properties		0.7	0.3
Total net expenditure	2, 5	15.3	14.5
Net funding for fixed assets and working capital	9	0.4	0.7

Total net expenditure in 2007-08 includes approximately £1.8 million in respect of VAT (2006-07: £1.8 million).

The accounting policies are summarised on pages 72 to 74. The Income and Expenditure Account should also be read in conjunction with the Statement of Total Recognised Gains and Losses, the Balance Sheet and the Cash Flow Statement on pages 69, 70 and 71 respectively.

The results shown above relate to continuing activities.

¹ Figures for 2006-07 have been restated to show Information Systems costs separately, previously they were split between Central administration and Supervision

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31st March</i>		2008	2007
	Note	£m	£m
Net funding for fixed assets and working capital		0.4	0.7
Actuarial gain for the year	4	0.8	0.6
Total recognised gains relating to the year		<u>1.2</u>	<u>1.3</u>

BALANCE SHEET

<i>As at 31st March</i>		2008 £m	2007 £m
	Note		
Fixed assets	6	10.0	9.6
Current assets			
Debtors	7	3.1	2.9
		3.1	2.9
Creditors: amounts falling due within one year	8	(3.5)	(2.9)
Net current liabilities		(0.4)	–
Total assets less current liabilities excluding pension scheme liability		9.6	9.6
Pension scheme liability	4	(0.7)	(1.6)
Net assets		8.9	8.0
 Funds contributed by or (required from) the Department for Culture, Media and Sport			
Fixed asset reserve		10.0	9.6
Pension scheme deficit	4	(0.7)	(1.6)
Required to meet net current liabilities		(0.4)	–
	9	8.9	8.0

Sir Alan Reid

Keeper of the Privy Purse

5th June 2008

CASH FLOW STATEMENT

<i>Year to 31st March</i>	2008	2008	2007	2007
	£m	£m	£m	£m
Reconciliation of total net expenditure to Grant-in-aid				
Total net expenditure		(15.3)		(14.5)
Interest income	(0.1)		(0.1)	
Depreciation charges	0.4		0.4	
Increase in debtors	(0.2)		(0.6)	
Increase in creditors	0.5		–	
Excess of pension scheme contributions over service cost	(0.1)		–	
		<u>0.5</u>		<u>(0.3)</u>
Net cash outflow from activities		(14.8)		(14.8)
Interest received		0.1		0.1
Capital expenditure – fixed assets acquired		(1.1)		(0.7)
Net cash outflow before financing		(15.8)		(15.4)
Grant-in-aid drawn down		15.7		15.2
Decrease in cash		(0.1)		(0.2)
		<u><u> </u></u>		<u><u> </u></u>
Reconciliation of cash balances		2008		2007
		£m		£m
Cash at bank as at start of year		(0.7)		(0.5)
Net decrease in cash		(0.1)		(0.2)
Cash at bank as at 31st March		(0.8)		(0.7)
		<u><u> </u></u>		<u><u> </u></u>

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

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

a) Basis of preparation

The accounts have been prepared in accordance with UK Generally Accepted Accounting Practice and under the historical cost accounting rules.

b) Income

Grant-in-aid from the Department for Culture, Media and Sport is taken to the Income and Expenditure Account in the year it is received.

All other income is accounted for on a receivable basis.

c) Income from facilities management charge

Amounts due from the Royal Collection Trust to the Grant-in-aid in respect of services provided in connection with admitting the public to Windsor Castle are recognised on an receivable basis.

d) Pensions costs

The Household participates in two pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Grant-in-aid. Contributions to the schemes are charged to the Income and Expenditure Account to reflect the cost of benefits accruing to members so as to spread pension costs over employees' working lives with the Household. One of these pension schemes, managed by the Government, is not a funded scheme. As permitted by FRS 17: Retirement Benefits, this scheme is treated as a defined contribution scheme by the Grant-in-aid and the full cost of contributions made in the year is reflected in the Income and Expenditure Account.

However, FRS 17: Retirement Benefits is applicable to the second scheme, 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 recognised in the pension scheme for the year (shown within the statement of total recognised gains and losses) and the balance sheet includes the deficit in the 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 Household also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Grant-in-aid in an independently administered fund. The amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the year.

Further details of the pension schemes are provided in note 4.

e) Leases

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

f) Cost of capital

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

g) Fixed assets

The Estate is not attributed any value in the Balance Sheet as the land and buildings are held by The Queen in trust for the nation and cannot be sold. The Treasury requires that certain fixed assets should be revalued on a modified historical cost basis. In view of the nature of the fixed assets, it is not considered appropriate to use this basis and historical cost has been applied.

Net expenditure over £5,000 on improvements to the Estate is capitalised, except where the improvements are incidental to general repair and refurbishment work; costs capitalised include related fees and VAT.

Fixed assets are depreciated on a straight-line basis at the following rates:

- Automatic fire detection (AFD) 10 years
- Fire compartmentation 30 years
- General building improvements 10 or 30 years
- Refurbishments (commercial lettings only) 7 years
- Lifts* 20 years
- Water mains 30 years
- Information technology equipment 3 years
- Small Plant & Tools* 4 years
- Electrical Plant* 10 years
- Telephone switches (grouped with IT equipment) 5 years

* All grouped under the heading of “Plant & Lifts” in the table on page 84.

All assets are subject to a half-year’s depreciation charge in the year of acquisition, with the exception of plant, information technology and telephone equipment, for which depreciation commences in the month following purchase.

Depreciation on fixed assets reinstated in 2000-01 (as set out in note 1(j)) has been charged directly to the reserve which was established at that time.

h) Stock

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

i) Bank overdraft

The Grant-in-aid did not have an overdraft with, or any borrowings from, its banker. The disclosed bank overdraft at 31st March 2008 and 2007 arose from the notional allocation of cash between the three parts of the Grant-in-aid.

j) Reserves

A fixed asset reserve was established in 2000-01 when, as a result of applying the accruals basis in accordance with the requirements of Government Resource Accounting, the past cost of fixed assets written off in the year of expenditure was reinstated on the balance sheet. The net annual movement is the difference between fixed assets acquired and depreciation.

The pension scheme deficit reserve represents the amount of the pension scheme deficit at the year end. This will need to be settled from future Grant-in-aid funding over time.

Amount required to meet net current liabilities represents the net liability at the year end payable to third party creditors, net of amounts receivable. This will be settled from future Grant-in-aid funding.

2. SEGMENTAL ANALYSIS

<i>Year to 31st March</i>	Total costs		Maintenance projects > £3,500	
	2008	2007	2008	2007
	£m	£m	£m	£m
Buckingham Palace	5.9	6.4	1.7	2.5
Buckingham Palace Mews and Gardens	2.1	1.8	0.4	0.3
St James's Palace	1.5	1.5	0.5	0.5
Clarence House and Marlborough House Mews	0.8	0.3	0.5	0.1
Kensington Palace	0.7	(0.1)	0.3	0.1
Hampton Court Mews and Paddocks	0.3	0.3	0.1	0.1
Windsor Castle	3.7	3.6	1.7	1.4
Windsor Castle Royal Mews	0.7	0.5	0.4	0.3
Windsor Home and Great Parks	0.7	1.0	0.1	0.4
Central costs	0.7	1.0	–	–
	<u>17.1</u>	<u>16.3</u>	<u>5.7</u>	<u>5.7</u>
Facilities management charge	(1.8)	(1.8)	–	–
	<u>15.3</u>	<u>14.5</u>	<u>5.7</u>	<u>5.7</u>

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

<i>Year to 31st March</i>	2008	2007
	£m	£m
Energy conservation	0.3	0.3
Fire precaution	0.2	0.1
Health and safety	0.7	0.7
Housing	0.7	0.6
Offices and workshops	0.3	0.4
General maintenance	3.5	3.6
	<u>5.7</u>	<u>5.7</u>

Because of the nature of other expenditure, it is not feasible to split total costs between these types of expenditure, so this information is not supplied.

The cost of maintenance projects with a cost of £3,500 or more reconciles with the total maintenance costs as follows:

<i>Year to 31st March</i>	2008		2007	
	Capital £m	Revenue £m	Capital £m	Revenue £m
Maintenance projects with a cost of £3,500 or more:				
• Construction	0.3	5.3	0.1	5.4
• Fees	–	0.4	0.2	0.3
	<u>0.3</u>	<u>5.7</u>	<u>0.3</u>	<u>5.7</u>
Less: transfers to fixed assets	(0.3)	(0.6)	(0.3)	(0.4)
Add: depreciation	–	0.2	–	0.1
	<u>–</u>	<u>5.3</u>	<u>–</u>	<u>5.4</u>
General maintenance	–	3.7	–	3.3
Total projects and general maintenance	<u>–</u>	<u>9.0</u>	<u>–</u>	<u>8.7</u>

3. STAFF NUMBERS AND COSTS

Establishment

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

	Number of staff	
	2008	2007
Administration, Accounting and Telephone Operators	15	12
Property Maintenance Central Unit	3	3
Buckingham Palace and St James's Palace Maintenance Office	33	36
Kensington Palace, Hampton Court and Windsor Castle Maintenance Office	19	20
Fire, Health and Safety Services	22	22
Craftsmen	15	15
	<u>107</u>	<u>108</u>

Where staff work part-time or have part of their salary charged to the Civil List or the Royal Travel Grant-in-aid, they are recorded according to the proportion of their time devoted to, and paid for by, the Property Services Grant-in-aid.

Payroll Costs

<i>Year to 31st March</i>	2008	2007
	£m	£m
Salaries	3.0	2.8
Less: housing abatements and charges	(0.2)	(0.2)
Overtime	0.2	0.3
National Insurance	0.3	0.3
Pension contributions	0.7	0.7
	<u>4.0</u>	<u>3.9</u>

Housing abatements and charges are deductions from salaries in respect of the provision of residential accommodation. The majority of the paid overtime arises from attendance at evening receptions and weekend working, for example when the Buckingham Palace State Apartments are open to the public, together with cover for leave and sickness absences for 24 hour shift workers (telephone operators and fire surveillance officers). Of the above costs £0.3 million (2006-07: £0.3 million) was recharged to external and other funding sources.

Payroll costs are included under the following headings within the Income and Expenditure Account.

<i>Year to 31st March</i>	2008	2007
	£m	£m
Projects and general maintenance	0.5	0.6
Supervision	1.2	1.0
Utilities	0.3	0.3
Fire, health and safety services	0.9	0.9
Gardens	0.4	0.4
Furniture and equipment	0.5	0.5
Central administration	0.2	0.2
	<u>4.0</u>	<u>3.9</u>

4. PENSION ARRANGEMENTS

Until 31st March 2002, all full-time permanent employees were entitled to be members of:

- a scheme managed by the Government analogous to the Civil Service pension scheme (the Royal Household Pension Scheme); or
- a scheme managed by trustees on behalf of the Royal Household (the Royal Households Group Pension Scheme).

Both pension schemes provide similar pension benefits based on final pay and are non-contributory for employees (except in respect of widows'/widowers' benefits for the Government managed scheme). Full-time permanent employees joining from 1st April 2002 are entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme. Information about the schemes is set out below.

Royal Household Pension Scheme

Employees who transferred from the Department of the Environment or the Property Services Agency (PSA) when the Royal Household's Property Section was established are members of this scheme. Pension contributions are paid directly to the Consolidated Fund and, in turn, pension benefits are paid directly from the Consolidated Fund on a defined benefit basis. The contribution rate during the year was 19.7% of pensionable pay (2006-07: 19.7%), reflecting a valuation by the Government Actuary's Department. The contribution rates reflect the cost of pension benefits as they are carried by employees.

The pension scheme, managed by the Government, is not a funded scheme. As permitted by FRS 17: Retirement Benefits, this scheme will continue to be accounted for as if it were a defined contribution scheme.

Royal Households Group Pension Scheme

All full-time permanent employees who joined before 31st March 2002 and are not members of the Royal Household Pension Scheme were entitled to be members of the Royal Households Group Pension Scheme, which is managed by trustees on behalf of the Royal Household. The scheme provides benefits which are based on final pay and is non-contributory for employees.

The contribution rate for the scheme is based on triennial valuations undertaken by a qualified independent actuary using the projected unit method. As the scheme is closed to new entrants, under the projected unit method the current service costs will increase as the members approach retirement. The most recent completed valuation was as at 1st January 2006. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. It was assumed that the real investment return would be 1.7% per annum post-retirement and 3.2% per annum pre-retirement, that real salary increases would average 1.5% per annum and that pensions would increase at the rates specified in the scheme rules.

The most recent actuarial valuation showed that the total market value of the assets of the scheme was £24.5 million and that this value of the assets was sufficient to cover 69% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Following this valuation, the employer's contribution rate in respect of staff employed by Property Section was set at 27.6% from 1st January 2007 (previously 22.8%), plus an index-linked annual payment of £126,000 (previously £98,000 index-linked annual payment from 1st January 2004 shared by both the Property Services and Royal Travel Grants-in-aid) and the benefit accrual rate was reduced from 1/60 to 1/70 for each year of

service from 1st April 2007. It is believed that these measures will be sufficient to eliminate the Property Section's share of the past service deficit of £1.6 million over fifteen years and meet the current service cost.

The valuation used for this disclosure has been based on the most recent actuarial review of the Royal Households Group Pension Scheme as at 1st January 2006, updated by an independent qualified actuary, Hewitt, to take account of the requirements of FRS 17: Retirement Benefits in order to assess the liabilities in respect of the Property Section of the scheme at 31st March 2008. Scheme assets in respect of the Property Section of the scheme are stated at their market values at 31st March 2008.

Actuarial assumptions adopted as at 31st March	2008	2007	2006
	(pa)	(pa)	(pa)
Discount rate	6.9%	5.4%	4.9%
Rate of general long-term increase in salaries	5.2%	4.7%	4.5%
Rate of price inflation	3.7%	3.2%	3.0%
Rate of increase to pensions in payment (pre-1993 service)	5.0%	5.0%	5.0%
Rate of increase to pensions in payment (post-1993 service)	3.6%	3.2%	2.9%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 21.6 years if they are male and for a further 23.7 years if they are female. For a member who retires in 2025 at age 65 the assumptions are that they will live on average for a further 23.4 years after retirement if they are male and for a further 24.8 years after retirement if they are female.

The Royal Household employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme as at 31st March 2008.

	2008	2007	2006
Average annual expected long-term rate of return/total fair value of assets	7.04%	7.07%	6.66%

	Value as at 31st March		
	2008	2007	2006
	£m	£m	£m
Fair value of scheme assets	5.6	5.6	4.9
Present value of funded defined benefit obligations	<u>(6.3)</u>	<u>(7.2)</u>	<u>(7.1)</u>
Net pension liability recognised on the balance sheet	<u><u>(0.7)</u></u>	<u><u>(1.6)</u></u>	<u><u>(2.2)</u></u>

There is therefore a net pension liability of £0.7 million as at 31st March 2008 (£1.6 million as at 31st March 2007). The amount of this net pension liability has a consequential effect on reserves.

Analysis of amounts charged against income and expenditure

Year to 31st March	2007-08	2006-07
	£m	£m
Current service cost	(0.4)	(0.4)
Expected return on scheme assets	0.4	0.3
Interest on pension scheme liabilities	<u>(0.4)</u>	<u>(0.3)</u>
Expense recognised in Income and Expenditure Account	<u><u>(0.4)</u></u>	<u><u>(0.4)</u></u>

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

	2007-08	2006-07
	£m	£m
Defined benefit obligations as at 1st April	7.2	7.1
Movement in year:		
Current service cost	0.4	0.4
Interest cost	0.4	0.3
Actuarial gains on scheme liabilities	(1.5)	(0.6)
Net benefits paid out	<u>(0.2)</u>	<u>—</u>
Defined benefit obligations as at 31st March	<u><u>6.3</u></u>	<u><u>7.2</u></u>

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

	2007-08	2006-07
	£m	£m
Fair value of scheme assets as at 1st April	5.6	4.9
Movement in year:		
Expected return on scheme assets	0.4	0.3
Contributions by the employer	0.5	0.4
Actuarial losses on scheme assets	(0.7)	–
Net benefits paid out	(0.2)	–
Fair value of scheme assets as at 31st March	<u>5.6</u>	<u>5.6</u>

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

	2007-08	2006-07
	£m	£m
Deficit as at 1st April	(1.6)	(2.2)
Movement in year:		
Current service cost	(0.4)	(0.4)
Contributions	0.5	0.4
Actuarial gains	0.8	0.6
Deficit as at 31st March	<u>(0.7)</u>	<u>(1.6)</u>

The actual return on scheme assets comprises:

	2008	2007
	£m	£m
Year to 31st March		
Expected return on scheme assets	0.4	0.3
Actuarial losses on scheme assets	(0.7)	–
Actual return on scheme assets	<u>(0.3)</u>	<u>0.3</u>

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

Year to 31st March	2008	2007
	£m	£m
Total actuarial gains	0.8	0.6
Total gains in STRGL	0.8	0.6
Cumulative amount of gains recognised in STRGL	1.4	0.6

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

	2008	2007	2006
	£m	£m	£m
Fair value of scheme assets	5.6	5.6	4.9
Defined benefit obligations	(6.3)	(7.2)	(7.1)
Deficit in scheme	<u>(0.7)</u>	<u>(1.6)</u>	<u>(2.2)</u>

The history of experience gains and losses is as follows:

	2008	2007	2006
	£m	£m	£m
Experience losses on scheme assets	(0.7)	–	–
Experience gains on scheme liabilities	–	0.1	–

Estimate of income and expenditure charge for the coming year:

Using the assumptions for return on the assets set out above, the charge to the Income and Expenditure Account for the next year is explained as follows:

Year to 31st March	2009
	£m
Current service cost	0.3
Expected return on scheme assets	(0.4)
Interest on pension scheme liabilities	0.4
Total estimated pension expense	<u>0.3</u>

Royal Household Defined Contribution (Stakeholder) Pension Scheme

Full-time permanent employees joining from 1st April 2002 are entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme (“the Stakeholder Scheme”), which is a stakeholder arrangement administered by Legal & General. The Stakeholder Scheme is non-contributory for employees and the Royal Household pays contributions into the fund for each employee. The current rate of contribution is 15% of pensionable salary. Benefits are based on contribution levels linked to investment returns over the period to retirement. Employees can, if they wish, make their own contributions up to the Inland Revenue limits.

5. TOTAL NET EXPENDITURE

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

<i>Year to 31st March</i>	2008	2007
	£m	£m
Interest	(0.1)	(0.1)
Depreciation	0.4	0.4

Since July 2006 the Grant-in-aid has been paid monthly in advance. Prior to this date it was paid quarterly in advance. The Auditors’ remuneration for the audit was £51,000 (2006-07: £65,000). There were no additional fees paid to the auditors during 2007-08 (2006-07: nil).

6. FIXED ASSETS

Asset category	AFD	Fire comp	Projects	Refurb	Plant & lifts	Water mains	IT	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost								
At 1st April 2007	7.0	6.7	4.5	1.1	1.8	0.2	0.8	22.1
Additions	–	–	0.3	–	0.5	–	0.3	1.1
Disposals	–	–	–	–	–	–	–	–
At 31st March 2008	7.0	6.7	4.8	1.1	2.3	0.2	1.1	23.2
Depreciation								
At 1st April 2007	7.0	2.1	0.9	0.9	0.8	–	0.8	12.5
Charge for the year	–	0.2	0.1	0.1	0.3	–	–	0.7
Disposals	–	–	–	–	–	–	–	–
At 31st March 2008	7.0	2.3	1.0	1.0	1.1	–	0.8	13.2
Net book value								
At 31st March 2008	–	4.4	3.8	0.1	1.2	0.2	0.3	10.0
At 1st April 2007	–	4.6	3.6	0.2	1.0	0.2	–	9.6

Explanation of abbreviations used above

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

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

Of the fixed asset depreciation of £0.7 million, £0.4 million has been charged to the Income and Expenditure Account and £0.3 million to the Fixed Asset Reserve.

7. DEBTORS

<i>As at 31st March</i>	2008	2007
	£m	£m
Recharges	0.3	0.2
Amounts owed by related parties (see note 11)	2.8	2.7
	3.1	2.9

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

<i>As at 31st March</i>	2008	2007
	£m	£m
Bank overdraft	0.8	0.7
Suppliers and accruals	2.5	2.0
Amounts owed to related parties (see note 11)	0.1	0.1
Other creditors including taxation	0.1	0.1
	<u>3.5</u>	<u>2.9</u>

9. RESERVES

Funds contributed by or (required from) the Department for Culture, Media and Sport	Fixed asset reserve	For net current liabilities	Pension scheme deficit	Total
	£m	£m	£m	£m
As at 1st April 2007	9.6	–	(1.6)	8.0
Actuarial gain on Group Pension Scheme	–	–	0.8	0.8
Depreciation charged directly to fixed asset reserve	(0.3)	–	–	(0.3)
Net funding for working capital	0.7	(0.4)	0.1	0.4
As at 31st March 2008	<u>10.0</u>	<u>(0.4)</u>	<u>(0.7)</u>	<u>8.9</u>

10. COMMITMENTS

<i>As at 31st March</i>	2008	2007
	£m	£m
Contractual commitments:		
• Contracted	1.8	2.0
• Authorised but not contracted	2.5	2.5

11. RELATED PARTY TRANSACTIONS

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

	2008 £m	2007 £m	2008 £m	2007 £m
	Balance due from:		Recoveries from:	
Civil List	0.1	0.1	0.1	0.1
Royal Collection Trust and Royal Collection Enterprises	2.5	2.4	3.2	2.5
Privy Purse	0.1	0.1	0.2	0.3
Other Royal Households	0.1	0.1	0.2	0.1
	Balance due to:		Charged by:	
Civil List	0.1	0.1	0.7	0.7
Privy Purse	–	–	–	–

The Civil List, the Royal Collection Trust, Royal Collection Enterprises, the Privy Purse and other Royal Households are regarded as related parties. Material transactions with these related parties during the year are summarised above.

Recoveries from the Civil List relate to work undertaken by craftsmen employed by the Grant-in-aid. Recoveries made from the Royal Collection include the Windsor Castle facilities management charge, reimbursement of The Queen's Gallery development costs, recovery of property refurbishment and maintenance services costs, and utilities and staff costs. Recoveries from the Privy Purse include rent for accommodation provided, repairs and maintenance services carried out by the Property Section, sales of plants to the Farm Shop and staff costs for project management services. Recoveries from other Royal Households mainly relate to property maintenance.

Charges to the Grant-in-aid from the Civil List relate to management fees charged for various services provided by Civil List staff, including accounting, payroll, internal audit, personnel, catering and cleaning, and IT services. Charges from the Privy Purse relate to insurance.

None of the management group or other related parties, except as referred to above, has undertaken any material transactions with the Grant-in-aid during the year.

12. CONTINGENT LIABILITIES

The Grant-in-aid had no contingent liabilities at the year end (2006-07: nil).

FIVE YEAR INFORMATION

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
Amount of Revenue Grant-in-aid voted by Parliament	15.0	15.0	15.1	15.2	15.3
Advance drawn against 2004-05 Grant	–	–	–	(0.7)	0.7
Capital Grant drawn down	0.7	0.2	–	–	–
Grant-in-aid drawn down	15.7	15.2	15.1	14.5	16.0
Property Maintenance					
Projects with a cost of £3,500 or more:					
• construction	5.3	5.4	5.0	5.7	5.4
• fees	0.4	0.3	0.3	0.3	0.4
	5.7	5.7	5.3	6.0	5.8
Less: transfers to fixed assets	(0.6)	(0.4)	(0.4)	(0.2)	(0.1)
Add: depreciation	0.2	0.1	0.1	0.1	0.1
General maintenance	3.7	3.3	3.7	3.4	3.4
Less: Income from facilities management charge	(1.8)	(1.8)	(1.4)	(1.1)	–
Less: Visitor contribution	–	–	–	–	(0.8)
Supervision	1.4	1.3	1.3	1.1	1.3
	8.6	8.2	8.6	9.3	9.7
Utilities	2.2	2.4	2.1	2.0	1.9
Fire, health and safety services	1.3	1.3	1.2	1.1	1.1
Non-domestic rates	0.8	0.7	0.8	(0.2)	0.7
Court Post Office	0.6	0.7	0.7	0.7	0.6
Gardens	0.9	0.7	0.6	0.6	0.6
Furniture and equipment	0.6	0.6	0.5	0.5	0.5
Central administration	0.3	0.5	0.4	0.4	0.5
Information systems	0.3	0.2	0.2	0.2	0.2
Rent and other recoveries	(1.0)	(1.1)	(1.0)	(1.0)	(0.9)
Maintenance on commercial properties	0.7	0.3	0.2	0.3	0.3
Total net expenditure	15.3	14.5	14.3	13.9	15.2
Net funding for fixed assets and working capital	0.4	0.7	0.8	0.6	0.8

PROPERTY MAINTENANCE

Maintenance projects expenditure analysed by category of expenditure

<i>Year to 31st March</i>	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
Energy conservation	0.3	0.3	0.3	0.1	0.1
Fire precautions	0.2	0.1	0.1	0.1	0.1
Health and safety	0.7	0.7	0.3	0.5	0.2
Housing	0.7	0.6	0.5	0.5	1.5
Offices and workshops	0.3	0.4	0.9	1.7	2.2
General maintenance	3.5	3.6	3.2	3.1	1.7
	5.7	5.7	5.3	6.0	5.8

The classification of expenditure into the categories shown above is on an approximate basis, with each project generally allocated to one category, rather than analysed between a number of categories, according to the main purpose of the work.

Maintenance projects expenditure analysed by location

<i>Year to 31st March</i>	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
Buckingham Palace	1.7	2.5	1.6	1.6	1.5
Buckingham Palace Mews and Gardens	0.4	0.3	0.4	0.4	0.5
St James's Palace	0.5	0.5	0.6	1.5	0.2
Clarence House and Marlborough House Mews	0.5	0.1	–	0.3	2.6
Kensington Palace	0.3	0.1	0.1	0.1	0.2
Hampton Court Mews and Paddocks	0.1	0.1	0.2	0.2	0.1
Windsor Castle	1.7	1.4	1.8	0.9	0.1
Windsor Castle Royal Mews	0.4	0.3	0.3	0.5	0.1
Windsor Home and Great Parks	0.1	0.4	0.3	0.5	0.5
	5.7	5.7	5.3	6.0	5.8

ANALYSIS BY PALACE

<i>Year to 31st March</i>	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
Buckingham Palace	5.9	6.4	5.9	5.2	6.1
Buckingham Palace Mews and Gardens	2.1	1.8	1.5	1.4	1.6
St James's Palace	1.5	1.5	1.5	2.2	0.8
Clarence House and Marlborough House Mews	0.8	0.3	0.3	0.6	2.7
Kensington Palace	0.7	(0.1)	(0.1)	(0.1)	0.1
Hampton Court Mews and Paddocks	0.3	0.3	0.3	0.3	0.3
Windsor Castle	3.7	3.6	3.8	3.0	2.1
Windsor Castle Royal Mews	0.7	0.5	0.5	0.4	0.3
Windsor Home and Great Parks	0.7	1.0	1.0	1.0	1.0
Central costs	0.7	1.0	1.0	1.0	1.0
	17.1	16.3	15.7	15.0	16.0
Less: Income from facilities management charge	(1.8)	(1.8)	(1.4)	(1.1)	–
Less: Visitor contribution	–	–	–	–	(0.8)
	15.3	14.5	14.3	13.9	15.2

STAFF NUMBERS AND COSTS

Establishment

<i>As at 31st March</i>	Number of staff				
	2008	2007	2006	2005	2004
Administration, Accounting and Telephone Operators	15	12	13	13	14
Property Maintenance Central Unit	3	3	3	3	3
Buckingham Palace and St James's Palace Maintenance Office	33	36	36	35	35
Kensington Palace, Hampton Court and Windsor Castle Maintenance Office	19	20	21	20	21
Fire, Health and Safety Services	22	22	22	24	24
Craftsmen	15	15	15	15	15
	<u>107</u>	<u>108</u>	<u>110</u>	<u>110</u>	<u>112</u>

Payroll Costs

<i>Year to 31st March</i>	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
Salaries	3.0	2.8	2.8	2.6	2.8
Less: housing abatements and charges	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)
Overtime	0.2	0.3	0.3	0.3	0.2
National Insurance	0.3	0.3	0.3	0.2	0.2
Pension contributions	0.7	0.7	0.6	0.6	0.6
	<u>4.0</u>	<u>3.9</u>	<u>3.8</u>	<u>3.6</u>	<u>3.7</u>

PERFORMANCE INDICATORS AND OPERATING RATIOS

<i>Year to 31st March</i>	2008	2007	2006	2005	2004
	%	%	%	%	%
Funding					
Movement in voted revenue Grant-in-aid in:					
• absolute terms	–	-0.7	-0.7	-0.7	-0.6
• real terms	-2.8	-6.6	-4.1	-8.4	-4.5
Property Maintenance					
Fees and other indirect costs as a percentage of construction costs	17.0	16.2	15.3	14.6	15.4
Projects with a construction cost of £25,000 or more completed with a cost overrun of no more than:					
• 5% of the let tender amount	76	76	80	78	71
• the greater of £20,000 and 10% of the let tender amount	100	100	98	100	95
Percentage of fixed price contracts with construction cost of £25,000 or more let without competitive tendering	–	–	–	–	7.7
Telephones					
Movement in costs in real terms ¹	-21.0	-9.1	+2.6	-5.3	–
Energy Consumption					
Movement in electricity costs in real terms	-7.3	-1.8	-1.8	-11.0	-6.8
Movement in gas costs in real terms	-0.1	-6.2	-6.7	-2.6	-5.4
Movement in water costs in real terms	-0.3	-6.0	+4.1	-4.3	-4.0
Supplier Payments					
Percentage paid within:					
• 30 days	93	88	94	87	83
• 40 days	97	96	97	95	94
• 50 days of receipt of invoice	98	97	98	97	97
Average Weekly No. of AFD activations	6	6	6	7	7
Staff Numbers	107	108	110	110	112

Adjustments have been made to restate expenditure in real terms using the inflation indices given on page 92.

¹ Ratios have been restated to reflect restatement of salary indices on following page

INFLATION INDICES

		2007-08	2006-07	2005-06	2004-05	2003-04
		%	%	%	%	%
Inflation index						
Retail price	(a)	3.5	3.9	2.1	2.5	2.1
Tender price ¹	(b)	5.0	3.6	0.4	13.1	4.2
Building cost	(b)	4.6	5.8	5.0	7.5	4.4
Pay ²	(c)	5.2	4.4	4.7	4.0	4.7
Electricity	(d)	-11.0	48.3	17.4	41.8	20.6
Gas	(d)	-26.0	28.4	20.2	25.3	4.5
Water	(d)	5.7	4.5	20.6	2.3	1.2
Telephones	(d)	0.0	0.0	1.7	3.0	0.0

Sources

- (a) Consumer Prices and General Inflation Branch of the Office of National Statistics.
- (b) Building Cost Information Service of the Royal Institution of Chartered Surveyors, Quarterly Review of Building Prices.
- (c) Royal Household personnel database.
- (d) The indices are in-house estimates based on information from suppliers. This is applied because the consumer price index and bulk prices have very different inflation profiles.

When restating expenditure and income in real terms the tender price index is applied to all Property Maintenance expenditure except for General Maintenance and Supervision. The building cost index is applied to the external contractor element of General Maintenance expenditure. The pay index is applied to payroll costs, the relevant utility indices to utilities, the telephones index to non-pay telephones expenditure and the retail price index to all other income and expenditure.

¹ Because an accurate figure for the year to 31st March is not available by the time the annual report is published, the figure for the previous calendar year is used.

² Prior year figures have been restated to include an average increase for performance related pay

ROYAL COMMUNICATIONS AND INFORMATION

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>		2008	2007
	Note	£m	£m
Amount of Grant-in-aid voted by Parliament		<u>0.5</u>	<u>0.5</u>
Grant-in-aid drawn down		<u>0.5</u>	<u>0.5</u>
Royal Visits		<u>0.1</u>	<u>0.1</u>
General Communications			
Press Office salaries		0.2	0.2
Web Site		0.1	0.1
Other		0.1	0.1
		<u>0.4</u>	<u>0.4</u>
Total net expenditure	2	<u>0.5</u>	<u>0.5</u>
Net funding for working capital		<u>-</u>	<u>-</u>

BALANCE SHEET

<i>As at 31st March</i>	2008	2007
	£m	£m
Current assets		
Cash at bank	0.1	0.1
Creditors: amounts falling due within one year		
Suppliers	(0.1)	(0.1)
	<u>(0.1)</u>	<u>(0.1)</u>
Net assets	<u>-</u>	<u>-</u>
Funds contributed by the Department for Culture, Media and Sport	<u>-</u>	<u>-</u>

CASHFLOW STATEMENT

	2008	2007
	£m	£m
Reconciliation of total net expenditure to Grant-in-aid		
Total net expenditure	(0.5)	(0.5)
Net cash outflow from activities and before financing	(0.5)	(0.5)
Grant-in-aid drawn down	0.5	0.5
Increase in cash	–	–

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

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

a) Basis of preparation

The accounts have been prepared in accordance with UK Generally Accepted Accounting Practice and under the historical cost accounting rules.

b) Pensions costs

The Household operates the Royal Households Group Pension Scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Grant-in-aid. Contributions to the scheme are charged to the Income and Expenditure Account so as to spread the cost of pensions over employees' working lives with the Household. Employer's pension contributions are recognised in the Income and Expenditure Account on an accruals basis. Further details relating to the pensions schemes are provided in notes 1 and 4 of the Property Services accounts.

2. TOTAL NET EXPENDITURE

The Auditors' remuneration for the audit was £2,000 (2006-07: £2,000). During 2006-07 and 2007-08 no other services were provided by the Auditors except for the audit.

3. PENSION ARRANGEMENTS

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

4. RELATED PARTY TRANSACTIONS

	2008 £m	2007 £m	2008 £m	2007 £m
	Balance due to:		Charged by:	
Civil List	–	–	0.1	0.1
Other Royal Households	–	–	0.1	0.1

The Civil List and other Royal Households are regarded as related parties. Material transactions with these related parties during the year are summarised above.

Charges to the Grant-in-aid are mainly from the Civil List and relate to management fees charged for various services provided by Civil List staff including accounting, payroll, internal audit, personnel, catering and cleaning and IT and information systems services.

Charges to the Grant-in-aid from other Royal Households relate to payments to The Prince of Wales's office to cover costs in respect of The Prince of Wales's royal function and engagements.

MARLBOROUGH HOUSE

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>	Note	2008 £m	2007 £m
Amount of Grant-in-aid voted by Parliament		<u>0.6</u>	<u>0.6</u>
Grant-in-aid drawn down		<u>0.6</u>	<u>0.6</u>
Property Maintenance			
Fees and construction		0.2	0.1
Security			
Custody Guards		0.3	0.3
Commonwealth Secretariat			
General maintenance		0.2	0.2
Recovered from Commonwealth Secretariat		<u>(0.2)</u>	<u>(0.2)</u>
		—	—
Total net expenditure		<u>0.5</u>	<u>0.4</u>
Net funding for working capital	2	<u>0.1</u>	<u>0.2</u>

BALANCE SHEET

<i>As at 31st March</i>	Note	2008 £m	2007 £m
Current assets			
Cash		0.8	0.7
Debtors		<u>0.1</u>	<u>0.1</u>
		0.9	0.8
Creditors: amounts falling due within one year			
Suppliers		<u>(0.1)</u>	<u>(0.1)</u>
Net assets		<u>0.8</u>	<u>0.7</u>
Funds contributed by the Department for Culture, Media and Sport	2	<u>0.8</u>	<u>0.7</u>

CASH FLOW STATEMENT

<i>Year to 31st March</i>	2008 £m	2007 £m
Reconciliation of total net expenditure to Grant-in-aid		
Total net expenditure	(0.5)	(0.4)
Net cash outflow from activities and before financing	(0.5)	(0.4)
Grant-in-aid drawn down	0.6	0.6
Increase in cash	0.1	0.2

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

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

Basis of preparation

The accounts have been prepared in accordance with UK Generally Accepted Accounting Practice and under the historical cost accounting rules.

2. RESERVES

Funds contributed by the Department for Culture, Media and Sport	£m
As at 1st April 2007	0.7
Net funding for working capital	0.1
As at 31st March 2008	0.8

3. COMMITMENTS

<i>As at 31st March</i>	2008 £m	2007 £m
Contractual commitments:		
• Contracted	–	–
• Authorised but not contracted	0.3	0.2

REPORT OF KPMG LLP TO THE LORD CHAMBERLAIN

We have audited the accounts of the Grant-in-aid for the maintenance of the Occupied Royal Palaces, Royal Communications and Information and the Maintenance of Marlborough House (“the Grant-in-aid”) which comprises the Income and Expenditure Account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These accounts have been prepared using the accounting policies set out on pages 72 to 74, 94 and 97 respectively.

Our report is designed to meet the agreed requirements of the Lord Chamberlain determined by the Lord Chamberlain at the time. Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Lord Chamberlain for any purpose or in any context. Any party other than the Lord Chamberlain who obtains our report or a copy and chooses to rely on our report (or any part of it) will do so at their own risk. To the fullest extent permitted by law KPMG LLP will accept no responsibility or liability in respect of our work to any other party.

Respective responsibilities of the Keeper of the Privy Purse and KPMG LLP

The Keeper of the Privy Purse is responsible for preparing the accounts for each financial year, which includes an account of the stewardship of the Grant-in-aid, in a form and content approved by the Department for Culture, Media and Sport. The Keeper of the Privy Purse is also responsible for ensuring the regularity of financial transactions and for the preparation of the other contents of the Annual Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the accounts give a true and fair view and have been properly prepared on the stated basis. We also report to you whether in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding. We also report to you whether in our opinion the information given in the Annual Report is consistent with the accounts. The information given in the Annual Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Annual Report.

In addition we report to you if, in our opinion, the Royal Household has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, where caused by fraud or other irregularity or error and that in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understandings. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view in accordance with UK GAAP of the state of affairs of the Grant-in-aid at 31st March 2008 and the total surplus for the year then ended;
- the information in the Annual Report is consistent with the accounts; and
- in all material respects, the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understandings and the financial transactions conform to the authorities which govern them.

KPMG LLP
Chartered Accountants

London
5th June 2008

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

Annual Report 2007-08

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INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>	Note	2008 £m	2007 £m
Amount of Grant-in-aid Voted by Parliament		6.4	6.0
Grant-in-aid drawn down		6.4	5.5
Air travel			
Helicopters		2.2	2.2
Fixed wing (civil operators)		2.2	1.9
Fixed wing (32 Squadron)		0.4	0.4
		4.8	4.5
Sea travel		0.2	–
Rail travel		0.9	0.7
Administration and other		0.3	0.4
Total net expenditure	5	6.2	5.6
Net funding for/(from reduction in) fixed assets and working capital	10	0.2	(0.1)

The results shown above relate to continuing activities. Total net expenditure in 2007-08 includes £0.2 million in respect of VAT (2006-07: £0.2 million).

The accounting policies are summarised on pages 108 to 109. The Income and Expenditure Account should also be read in conjunction with the Statement of Total Recognised Gains and Losses, the Balance Sheet and Cash Flow Statement on pages 105, 106, and 107 respectively.

Grant-in-aid not drawn down amounted to £nil (£0.5 million in 2006-07, which was retained by the Department for Transport).

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Year to 31st March</i>	Note	2008 £m	2007 £m
Net funding for/(from reduction in) fixed assets and working capital		0.2	(0.1)
Actuarial gain for the year	4	<u>0.2</u>	<u>0.1</u>
Total recognised gains relating to the year		<u>0.4</u>	<u>–</u>

BALANCE SHEET

<i>As at 31st March</i>		2008	2007
	Note	£m	£m
Fixed assets	7	–	–
Current assets			
Debtors	8	0.1	0.1
Cash at bank and in hand		0.5	0.2
		0.6	0.3
Creditors: amounts falling due within one year	9	(0.5)	(0.3)
Net current assets		0.1	–
Creditors: amounts falling due after more than one year	9	–	–
Net assets excluding pension scheme liability		0.1	–
Pension scheme liability	4	(0.1)	(0.4)
Net liabilities		–	(0.4)
Funds contributed by or (required from) the Department for Transport			
Fixed asset reserve		–	–
Pension scheme deficit	4	(0.1)	(0.4)
Amount funding net current assets		0.1	–
	10	–	(0.4)

Sir Alan Reid

Keeper of the Privy Purse

5th June 2008

CASH FLOW STATEMENT

<i>Year to 31st March</i>	2008	2007
	£m	£m
Reconciliation of total net expenditure to Grant-in-aid		
Total net expenditure	(6.2)	(5.6)
Depreciation charges	–	0.1
Decrease in debtors	–	0.1
Increase in creditors	0.2	–
(Excess)/deficit of pension scheme contributions over service cost	(0.1)	0.1
Net cash outflow from activities and before financing	(6.1)	(5.3)
Grant-in-aid drawn down	6.4	5.5
Increase in cash	0.3	0.2
	<u> </u>	<u> </u>
Reconciliation of cash balances	2008	2007
	£m	£m
Cash at bank as at start of year	0.2	–
Net increase in cash	0.3	0.2
Cash at bank as at 31st March	0.5	0.2
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

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

a) Basis of preparation

The accounts have been prepared in accordance with UK Generally Accepted Accounting Practice and under the historical cost accounting rules.

b) Income

Grant-in-aid from the Department for Transport is taken to the Income and Expenditure Account in the year it is received.

All other income is accounted for on a receivable basis.

c) Pension costs

The Household operates the Royal Households Group Pension Scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Grant-in-aid. Contributions to the scheme are charged to the Income and Expenditure Account to reflect the cost of benefits accruing to members so as to spread pension costs over employees' working lives with the Household.

FRS 17: Retirement Benefits is applicable to this scheme and accordingly, the Income and Expenditure Account includes the cost of benefits accruing during the year in respect of current service, the expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time, the actuarial gain recognised in the pension scheme for the year (shown within the statement of total recognised gains and losses), and the balance sheet includes the deficit in the pension scheme, taking the assets at their year-end bid-values and liabilities at their actuarially calculated values discounted at year-end AA corporate bond index.

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

Further details of the pension schemes are provided in note 4.

d) Leases

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

e) Cost of capital

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

f) Foreign currencies

Transactions denominated in foreign currencies are converted into sterling at the exchange rates on the dates of the transactions. Debtors and creditors denominated in foreign currencies are translated at year end exchange rates, unless the terms of the transaction include contracted rates when those rates are used.

g) Fixed assets

Fixed assets costing over £1,000 are capitalised in the balance sheet. They are depreciated on a straight-line basis starting in the month following that of purchase, at the following rates:

- Information technology equipment Over 3 years
- Helicopter operation equipment Over 5 years

h) Reserves

A fixed asset reserve was set up when the Grant-in-aid was established, anticipating the requirements of Government Resource Accounting. The net annual movement is the difference between fixed assets acquired, disposals and depreciation.

The pension scheme deficit reserve represents the amount of the pension scheme deficit at the year end. This will need to be settled from future Grant-in-aid funding over time.

Amount required to meet net liabilities represents the net liability at the year end payable to third-party creditors, net of amounts receivable. This will be settled from future Grant-in-aid funding.

2. SEGMENTAL ANALYSIS

<i>Year to 31st March</i>	Fixed costs		Variable costs		Total costs	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Air travel						
Helicopters	1.6	1.5	0.6	0.7	2.2	2.2
Fixed wing (civil operators)	–	–	2.2	1.9	2.2	1.9
Fixed wing (32 Squadron)	–	–	0.4	0.4	0.4	0.4
	<u>1.6</u>	<u>1.5</u>	<u>3.2</u>	<u>3.0</u>	<u>4.8</u>	<u>4.5</u>
Sea travel	–	–	0.2	–	0.2	–
Rail travel						
Royal Train and other	0.4	0.4	0.5	0.3	0.9	0.7
Administration and other	0.3	0.4	–	–	0.3	0.4
Total net expenditure	<u>2.3</u>	<u>2.3</u>	<u>3.9</u>	<u>3.3</u>	<u>6.2</u>	<u>5.6</u>

3. STAFF NUMBERS AND COSTS

Establishment

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

<i>As at 31st March</i>	Number of staff	
	2008	2007
Royal Travel Office	3	3
The Queen's Helicopter Flight	9	9
Administration and Accounting	1	1
	<u>13</u>	<u>13</u>

Where staff work part-time or have part of their salary charged to the Civil List or to the Property Services Grant-in-aid (in each case according to time spent) they are recorded according to the proportion of their time paid for by the Royal Travel Grant-in-aid. Those who work for less than 10% of their time on royal travel matters are not included in the above table.

Payroll Costs

<i>Year to 31st March</i>	2008	2007
	£m	£m
Salaries	0.7	0.7
National insurance	0.1	0.1
Pension contributions	0.2	0.1
	<u>1.0</u>	<u>0.9</u>

4. PENSION ARRANGEMENTS

Until 31st March 2002, all full-time permanent employees were entitled to be members of a scheme managed by trustees on behalf of the Royal Household (the Royal Households Group Pension Scheme). The pension scheme provides benefits based on final pay and is non-contributory for employees. Full-time permanent employees joining from 1st April 2002 are entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme. Information about the schemes is set out below.

Royal Households Group Pension Scheme

All full-time permanent employees who joined before 31st March 2002 were entitled to be members of the Royal Households Group Pension Scheme, which is managed by trustees on behalf of the Royal Household. The scheme provides benefits which are based on final pay and is non-contributory for employees.

The contribution rate for the scheme is based on triennial valuations undertaken by a qualified independent actuary using the projected unit method. As the scheme is closed to new entrants, under the projected unit method the current service costs will increase as the members approach retirement. The most recent completed valuation was as at 1st January 2006. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. It was assumed that the real investment return would be 1.7% per annum post-retirement and 3.2% per annum pre-retirement, that real salary increases would average 1.5% per annum and that pensions would increase at the rates specified in the scheme rules.

The most recent actuarial valuation showed that the total market value of the assets of the scheme was £24.5 million and that this value of the assets was sufficient to cover 69% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Following this valuation, the employer's contribution rate in respect of staff employed by the Grant-in-aid was set at 27.6% from 1st January 2007 (previously 22.8%), plus an index-linked annual payment of £24,000 (previously £98,000 index linked annual payment from 1st January 2004 shared by both the Royal Travel and Property Services Grants-in-aid) and the benefit accrual rate was reduced from 1/60 to 1/70 for each year of service from 1st April 2007. It is believed that these measures will be sufficient to eliminate Royal Travel's share of the past service deficit of £0.4 million over fifteen years and meet the current service cost.

The valuation used for this disclosure has been based on the most recent actuarial review of the Royal Households Group Pension Scheme as at 1st January 2006 updated by an independent qualified actuary, Hewitt, to take account of the requirements of FRS 17: Retirement Benefits in order to assess the liabilities in respect of the Grant-in-aid of the scheme at 31st March 2008. Scheme assets in respect of the Grant-in-aid are stated at their market values at 31st March 2008.

Actuarial assumptions adopted as at 31st March	2008 (pa)	2007 (pa)	2006 (pa)
Discount rate	6.9%	5.4%	4.9%
Rate of general long-term increase in salaries	5.2%	4.7%	4.5%
Rate of price inflation	3.7%	3.2%	3.0%
Rate of increase to pensions in payment (pre-1993 service)	5.0%	5.0%	5.0%
Rate of increase to pensions in payment (post-1993 service)	3.6%	3.2%	2.9%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 21.6 years if they are male and for a further 23.7 years if they are female. For a member who retires in 2025 at age 65 the assumptions are that they will live on average for a further 23.4 years after retirement if they are male and for a further 24.8 years after retirement if they are female.

The Royal Household employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme as at 31st March 2008.

	2008	2007	2006
Average annual expected long-term rate of return/total fair value of assets	7.04%	7.07%	6.66%

	Value as at 31st March		
	2008	2007	2006
	£m	£m	£m
Fair value of scheme assets	1.3	1.2	1.0
Present value of funded defined benefit obligations	(1.4)	(1.6)	(1.4)
Net pension liability recognised on the balance sheet	<u>(0.1)</u>	<u>(0.4)</u>	<u>(0.4)</u>

There is therefore a net pension liability of £0.1 million as at 31st March 2008 (£0.4 million as at 31st March 2007). The amount of this net pension liability has a consequential effect on reserves.

Analysis of amounts charged against income and expenditure

Year to 31st March	2008	2007
	£m	£m
Current service cost	(0.1)	(0.2)
Expected return on scheme assets	0.1	0.1
Interest on pension scheme liabilities	(0.1)	(0.1)
Expense recognised in income and expenditure account	<u>(0.1)</u>	<u>(0.2)</u>

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

	2007-08	2006-07
	£m	£m
Defined benefit obligations as at 1st April	1.6	1.4
Movement in year:		
Current service cost	0.1	0.2
Interest cost	0.1	0.1
Actuarial gains on scheme liabilities	(0.4)	(0.1)
Defined benefit obligations as at 31st March	<u>1.4</u>	<u>1.6</u>

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

	2007-08	2006-07
	£m	£m
Fair value of scheme assets as at 1st April	1.2	1.0
Movement in year:		
Expected return on scheme assets	0.1	0.1
Contributions by the employer	0.2	0.1
Actuarial losses on scheme assets	(0.2)	–
Fair value of scheme assets as at 31st March	<u>1.3</u>	<u>1.2</u>

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

	2007-08	2006-07
	£m	£m
Deficit as at 1st April	(0.4)	(0.4)
Movement in year:		
Current service cost	(0.1)	(0.2)
Contributions	0.2	0.1
Actuarial gains	0.2	0.1
Deficit as at 31st March	<u>(0.1)</u>	<u>(0.4)</u>

The actual return on scheme assets comprises:

	2008	2007
	£m	£m
Expected return on scheme assets	0.1	0.1
Actuarial losses on scheme assets	(0.2)	(0.1)
Actual return on scheme assets	<u>(0.1)</u>	<u>–</u>

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

Year to 31st March	2008	2007
	£m	£m
Total actuarial gains	0.2	0.1
Total gains in STRGL	0.2	0.1
Cumulative amount of gains recognised in STRGL	0.3	0.1

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

Year to 31st March	2008	2007	2006
	£m	£m	£m
Fair value of scheme assets	1.3	1.2	1.0
Defined benefit obligations	(1.4)	(1.6)	(1.4)
Deficit in scheme	<u>(0.1)</u>	<u>(0.4)</u>	<u>(0.4)</u>

The history of experience gains and losses is as follows:

	2008	2007	2006
	£m	£m	£m
Experience gains/(losses) on scheme assets	(0.2)	–	–
Experience gains/(losses) on scheme liabilities	–	–	–

Estimate of income and expenditure charge for the coming year:

Using the assumptions for return on the assets set out above, the charge to the Income and Expenditure Account for the next year is explained as follows:

Year to 31st March	2009
	£m
Current service cost	0.1
Expected return on scheme assets	(0.1)
Interest on pension scheme liabilities	0.1
Total estimated pension expense	<u>0.1</u>

Royal Household Defined Contribution (Stakeholder) Pension Scheme

Full-time permanent employees joining from 1st April 2002 are entitled to be members of the Royal Household Defined Contribution (Stakeholder) Pension Scheme (“the Stakeholder Scheme”), which is a stakeholder arrangement administered by Legal & General. The Stakeholder Scheme is non-contributory for employees and the Royal Household pays contributions into the fund for each employee. The current rate of contribution is 15% of pensionable salary. Benefits are based on contribution levels linked to investment returns over the period to retirement. Employees can, if they wish, make their own contributions up to the Inland Revenue limits.

5. TOTAL NET EXPENDITURE

Total net expenditure is stated after charging:

<i>Year to 31st March</i>	2008	2007
	£m	£m
Helicopter operating lease	0.5	0.5

The auditors’ remuneration for the audit was £16,000 (2006-07: £25,000). During 2007-08 and 2006-07 no additional fees were paid to the auditors.

6. RELATED PARTY TRANSACTIONS

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

	2008 £m	2007 £m	2008 £m	2007 £m
	Balance due to:		Charged by:	
The Civil List	–	–	0.1	0.1

The Civil List is regarded as a related party. Charges to Royal Travel are mainly management fees charged by the Civil List for various services including accountancy, payroll, personnel, catering, cleaning and the provision of press office, internal audit and information systems services.

None of the key staff employed by Royal Travel has undertaken any material transaction with Royal Travel during the year.

7. FIXED ASSETS

	Helicopter operation equipment £m
Cost	
At 1st April 2007	0.2
At 31st March 2008	<u>0.2</u>
Depreciation	
At 1st April 2007	0.2
Charge for the year	–
At 31st March 2008	<u>0.2</u>
Net book value	
At 31st March 2008	<u>–</u>
At 1st April 2007	<u>–</u>

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

8. DEBTORS

<i>As at 31st March</i>	2008	2007
	£m	£m
Recharges	<u>0.1</u>	<u>0.1</u>
	<u>0.1</u>	<u>0.1</u>

9. CREDITORS

<i>As at 31st March</i>	2008	2007
	£m	£m
Amounts falling due within one year:		
Suppliers	<u>0.5</u>	<u>0.3</u>
	<u>0.5</u>	<u>0.3</u>
Amounts falling due after one year:		
Other creditors	<u>–</u>	<u>–</u>
	<u>0.5</u>	<u>0.3</u>
Analysis of creditors:		
In one year or less	<u>0.5</u>	<u>0.3</u>
Between two and five years	<u>–</u>	<u>–</u>
	<u>0.5</u>	<u>0.3</u>

10. RESERVES

Funds contributed by or (required from) the Department for Transport	Fixed asset reserve	For net current assets	Pension scheme deficit	Total
	£m	£m	£m	£m
As at 1st April 2007	–	–	(0.4)	(0.4)
Net movement in year on pension scheme deficit	–	–	0.2	0.2
Depreciation	–	–	–	–
Excess pension cost over income	–	–	–	–
Net funding for working capital	–	0.1	0.1	0.2
As at 31st March 2008	<u>–</u>	<u>0.1</u>	<u>(0.1)</u>	<u>–</u>

11. COMMITMENTS

At 31st March 2008, there were commitments in respect of the fixed costs of the Royal Train and the helicopter safety system, amounting to £0.3 million, which will be paid from the Grant-in-aid during 2008-09 (£0.3 million at 31st March 2007).

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

<i>As at 31st March</i>	2008	2007
	£m	£m
Expiring in less than one year	0.5	–
Expiring in 2-5 years	–	0.8

12. CONTINGENT LIABILITIES

The Grant-in-aid had no contingent liabilities at the year end (2006-07: nil).

FIVE YEAR INFORMATION

INCOME AND EXPENDITURE ACCOUNT

<i>Year to 31st March</i>	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
Amount of Grant-in-aid Voted by Parliament	6.4	6.0	5.9	5.7	5.9
Grant-in-aid drawn down	6.4	5.5	5.2	5.4	4.7
Air travel					
Helicopters – fixed costs	1.6	1.5	1.5	1.5	1.6
Helicopters – variable costs	0.6	0.7	0.7	0.6	0.7
Fixed wing (civil operators) – variable costs	2.2	1.9	1.6	1.2	0.8
Fixed wing (32 Squadron) – variable costs	0.4	0.4	0.8	0.7	0.5
	4.8	4.5	4.6	4.0	3.6
Sea travel	0.2	–	–	–	–
Rail travel					
Royal Train – fixed costs	0.4	0.4	0.3	0.3	0.4
Royal Train – variable costs	0.5	0.3	0.3	0.4	0.4
	0.9	0.7	0.6	0.7	0.8
Administration and other	0.3	0.4	0.3	0.3	0.3
Total net expenditure	6.2	5.6	5.5	5.0	4.7
Net funding (from)/for fixed assets and working capital	0.2	(0.1)	(0.3)	0.4	–

PERFORMANCE INDICATORS AND OPERATING RATIOS

<i>Year to 31st March</i>	2008	2007	2006	2005	2004
Funding					
Movement in total net expenditure in:	%	%	%	%	%
• absolute terms	+10.7	+1.8	+10.0	+4.8	+11.9
• real terms	+7.2	-2.0	+7.7	+2.0	+9.6
Mileage Cost					
Total cost per mile travelled:					
• by air	£15	£12	£13	£12	£14
• by rail	£40	£54	£41	£49	£48
Supplier Payments					
Invoices paid within:	%	%	%	%	%
• 30 days	90	93	95	93	93
• 40 days	98	97	97	97	97
• 50 days of receipt of invoice	99	99	99	99	99
Staff Numbers	13	13	13	13	13

REPORT OF KPMG LLP TO THE LORD CHAMBERLAIN

We have audited the accounts of the Grant-in-aid for Royal Travel by Air and Rail (“the Grant-in-aid”) which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These accounts have been prepared using the accounting policies set out on pages 108 to 109.

Our report is designed to meet the agreed requirements of the Lord Chamberlain determined by the Lord Chamberlain at the time. Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Lord Chamberlain for any purpose or in any context. Any party other than the Lord Chamberlain who obtains our report or a copy and chooses to rely on our report (or any part of it) will do so at their own risk. To the fullest extent permitted by law KPMG LLP will accept no responsibility or liability in respect of our work to any other party.

Respective responsibilities of the Keeper of the Privy Purse and KPMG LLP

The Keeper of the Privy Purse is responsible for preparing the accounts for each financial year, which includes an account of the stewardship of the Grant-in-aid, in a form and content approved by the Department for Transport. The Keeper of the Privy Purse is also responsible for ensuring the regularity of financial transactions and for the preparation of the other contents of the Annual Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the accounts give a true and fair view and have been properly prepared on the stated basis. We also report to you whether in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understanding. We also report to you whether in our opinion the information given in the Annual Report is consistent with the accounts. The information given in the Annual Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Annual Report.

In addition we report to you if, in our opinion, the Royal Household has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, where caused by fraud or other irregularity or error and that in all material respects the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understandings. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view in accordance with UK GAAP of the state of affairs of the Grant-in-aid at 31st March 2008 and the total surplus for the year then ended;
- the information in the Annual Report is consistent with the accounts; and
- in all material respects, the Grant-in-aid has been expended only for the purposes described in the Memorandum of Understandings and the financial transactions conform to the authorities which govern them.

KPMG LLP
Chartered Accountants

London
5th June 2008

APPENDIX 1: JOURNEYS COSTING £10,000 OR MORE

The journeys listed in this appendix are only those undertaken by air or rail and funded from the Royal Travel Grant-in-aid. They account for approximately 15% of all royal engagements in 2007-08. The appendix does not detail journeys which cost less than £10,000 for the whole party, or include journeys by car. It should also be noted that the costs shown below for The Queen's Helicopter and the Royal Train are the variable costs only. Fixed costs are not included because they are payable irrespective of whether The Queen's Helicopter or Royal Train is used and do not result from undertaking specific journeys. Costs for chartered and scheduled air and rail represent the total cost of the journey (because all costs are variable). For some overseas tours, in-theatre charter aircraft are used due to the lack of local scheduled flights which fit the timings of the programmes. The costs of journeys include those relating to positioning, where applicable. A key to the abbreviations is given on page 129.

Household	Method of travel	Date	Itinerary	Cost (£)
The Queen and The Duke of Edinburgh	Royal Train	4-5 Apr	Windsor - Manchester	18,460
	BAe146	5 Apr	Manchester - NHT	2,537
<i>Attend Maundy Thursday Service</i>				
The Duke of York	Scheduled flight	11-18 Apr	LHR - Sao Paulo - LHR	19,473
	Charter flight	11-18 Apr	Sao Paulo - various destinations in Brazil - Sao Paulo	57,670
<i>UKTI visit to Brazil</i>				
The Prince of Wales	Royal Train	22-24 Apr	Aberdeen - Liverpool - Euston	40,513
<i>Receive Honorary Fellowship, deliver Roscoe lecture, open restored St George's Hall, visit Toxteth Town Hall, and other engagements</i>				
The Duke of York	Charter flight	25 Apr	NHT - Moscow - NHT	19,100
<i>Attend State Funeral and Requiem Mass for President Boris Yeltsin of the Russian Federation (cost £38,200 less reimbursements of £19,100)</i>				
The Queen and The Duke of Edinburgh	Charter flight	3-8 May	LHR - Richmond. Norfolk - Lexington - Andrews Airforce Base - LHR	381,813
	Charter helicopter	5 May	Lexington - Louisville - Lexington	22,849
Staff (The Queen)	Scheduled flight	3-8 May	LHR - Washington - LHR	9,380
<i>State Visit to United States of America</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Queen and The Duke of Edinburgh	Royal Train	23-24 May	Euston - Bradford	16,656
The Queen	S76	24 May	Huddersfield - EDI - ABZ	5,452
<i>Open Bradford Hindu Temple and Bradford South Divisional Police Headquarters, visit Media Centre and Primrose Hill Eco Housing Project, and other engagements</i>				
The Prince of Wales and The Duchess of Cornwall	Royal Train	28-29 May	Kemble - Edinburgh	21,460
<i>Visit Edinburgh College of Art, HM Young Offenders Institution Polmont and Hollybrook School, and other engagements at the start of a four day Holyroodhouse visit</i>				
The Duke of York	Scheduled flight	28 May - 4 Jun	LHR - Tokyo. Beijing - LHR	19,453
<i>UKTI visit to Japan and Mongolia</i>				
The Queen, The Duke of Edinburgh, The Prince of Wales and The Duchess of Cornwall	Royal Train	4-5 Jun	Euston - Bristol - Cardiff	16,862
The Queen and The Duke of Edinburgh	BAe146	5 Jun	Cardiff - NHT	2,732
<i>Attend opening of National Assembly for Wales and attend Reception at National Museum Cardiff to mark Centenary of National Museum Wales, and other engagements</i>				
The Prince of Wales	Royal Train	6-9 Jun	Mid-Glamorgan - Bangor - Powys - Welshpool - Kemble	43,258
<i>Visit Llynnon Mill and Leighton Farm, launch Volunteer Mentoring Scheme, hold Cambrian Mountains Project Meeting, host dinner on board Royal Train to discuss North West Wales Economic Development, and other engagements</i>				
The Prince of Wales	Royal Train	2-4 Jul	Kemble - Glasgow - Doncaster	35,625
<i>Attend British Asian Trust India vs Pakistan One Day International Charity Cricket Match, visit Prince's Trust Scotland Offices and RACE Engineering, and other engagements</i>				
The Princess Royal	Scheduled flight	3-14 Jul	LHR - Guatemala. Rio de Janeiro - LHR	21,553
	Charter flight	7-13 Jul	Guatemala - Lima - Iquitos - Lima - Brasilia - Sao Paulo - Rio de Janeiro	141,150
<i>FCO visit to Latin America</i>				
The Princess Royal	Charter flight	17-18 Jul	LYN - Glasgow - NHT	12,515
<i>Visit HM Prison Greenock, attend Townswomen's Guilds Annual General Meeting, open Easterhouse Fire Station and Antonine Shopping Centre, and other engagements (costs increased by £10,400 due to 32 Squadron short-notice cancellation)</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Queen and The Duke of Edinburgh	Royal Train	19-20 Jul	Euston - Yatton	18,548
<i>Visit Yeo Valley Farms Limited, "For All Healthy Living Centre" and Knightstone Island, open Ashcombe Children's Centre, and other engagements</i>				
Staff (The Queen)	Scheduled flight	3-11 Aug & 12-15 Oct	LHR - Entebbe - LHR	33,309
<i>Reconnaissance for State Visit to Uganda</i>				
The Duke of York	Scheduled flight	26 Aug - 3 Sep	LHR - Singapore - LHR	33,990
	Charter flight	29 Aug - 3 Sep	Singapore - Johor Bahru - Kuala Lumpur - Singapore	43,170
<i>UKTI visit to Singapore and Malaysia</i>				
The Queen, The Duke of Edinburgh and The Prince of Wales	Royal Train	30-31 Aug	Aberdeen - Euston	27,428
The Queen and The Duke of Edinburgh	BAe146	31 Aug	NHT - ABZ	5,660
<i>Attend Service of Thanksgiving for the Life of Diana, Princess of Wales</i>				
Staff (The Prince of Wales)	Scheduled flight	2-14 Sep	LHR - Entebbe - Nairobi - Istanbul - Ankara - Izmir - Istanbul - LHR	17,222
<i>Reconnaissance for official visit to Uganda and Turkey</i>				
The Prince of Wales	Royal Train	13-15 Sep	Euston - Scarborough. Malton - Andover	33,653
<i>Visit restored Rotunda Museum, St Catherine's Hospice and Institute of Naval Medicine, and other engagements</i>				
The Duke of York	Charter flight	30 Sep - 4 Oct	NHT - Baku - Almaty - Astana - Almaty	57,400
	Scheduled flight	4-5 Oct	Astana - Almaty - LHR	1,782
<i>UKTI visit to Baku, Almaty and Astana</i>				
The Queen, The Duke of Edinburgh, The Prince of Wales and The Duchess of Cornwall	Royal Train	11-13 Oct	Euston - Rugeley - Slough	22,187
<i>Attend service of Dedication Ceremony for Armed Forces Memorial at the National Memorial Arboretum, and other engagements</i>				
The Princess Royal	BAe146	14-16 Oct	LYN - Pareubice, Prague - LYN	12,100
<i>FCO visit to Czech Republic</i>				
The Duke of York	Scheduled flight	23-26 Oct	LHR - Abu Dhabi - LHR	12,699
<i>UKTI visit to United Arab Emirates</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Prince of Wales and The Duchess of Cornwall	Royal Train	24-25 Oct	Ayr - Euston	23,949
<i>Conduct Investiture and other engagements</i>				
The Duke of York	BAe146	1-10 Nov	NHT - Casablanca, Rabat - Algiers - Tripoli - Benghazi - El Beida - Tobruk - Tripoli - NHT	32,658
<i>UKTI visit to North Africa (cost £35,325 less reimbursements of £2,667)</i>				
The Prince of Wales	Royal Train	6-7 Nov	Euston - Cardiff	19,776
<i>Open Royal British Legion's Field of Remembrance, attend Business Summit on climate change and present Joe Calzaghe with lifetime achievement award</i>				
Staff (The Queen)	Scheduled flight	18-24 Nov	LHR - Entebbe - LHR	79,360
<i>Fly in advance of The Queen and The Duke of Edinburgh</i>				
The Queen and The Duke of Edinburgh	Charter flight	20-24 Nov	LHR - Malta - Entebbe - LHR	135,200
The Duke of Edinburgh	Charter flight	23 Nov	Kajansi - Kasese - Kajansi	2,168
<i>State Visit to Uganda and attend Commonwealth Heads of Government Meeting</i>				
The Prince of Wales and The Duchess of Cornwall	Charter flight	22-29 Nov	LYN - Entebbe - Ankara - Konya - Ankara - Izmir - Ankara - Istanbul - Ankara - LYN	316,061
<i>FCO visit to Uganda and Turkey (cost £327,801 less reimbursements of £11,740)</i>				
The Queen and The Duke of Edinburgh	Royal Train	3-4 Dec	Windsor - Liverpool - Euston	23,750
<i>Attend Royal Variety Performance</i>				
Staff (The Prince of Wales)	Scheduled flight	7-18 Jan	LGW - Kingston - Port of Spain - St Lucia - Antigua - Monserrat - Antigua - LGW	19,927
<i>Reconnaissance for official visit to Trinidad, Tobago, St Lucia, Monserrat and Jamaica</i>				
The Duke of York	Scheduled flight	9-19 Jan	LHR - Cairo - Abu Dhabi - LHR	13,606
<i>UKTI visit to Egypt and United Arab Emirates</i>				
The Prince of Wales	Royal Train	21-23 Jan	Ayr - Malton - Harrogate - Kings Lynn	33,894
<i>Visit Dunfries House, Hill Top Farm, Grange Farm, reopen Harrogate's Royal Hall, and other engagements</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Duke of York	BAe146	23 -25 Jan	NHT - Zurich - NHT	6,831
	Charter helicopter	25 Jan	Davos - Zurich	4,940
<i>UKTI visit to Davos</i>				
The Duke of York	Scheduled flight	5-15 Feb	LHR - Miami. New York - LHR	25,866
	Charter flight	6-13 Feb	Miami - Lake Charles - Los Angeles - Santa Ana - San Diego - Phoenix - Atlanta - New York	118,440
<i>UKTI visit to United States of America</i>				
The Prince of Wales	Royal Train	20-21 Feb	Euston - Burnley - Carmarthen	28,368
<i>Visit Burnley Town Hall, Lancashire Digital Technology Centre, and Burnley Youth Theatre, and other engagements</i>				
The Queen and The Duke of Edinburgh	Royal Train	27-28 Feb	Euston - Manchester	14,921
	BAe146	28 Feb	Manchester - NHT	2,537
<i>Open Manchester Civil Justice Centre and other engagements</i>				
The Prince of Wales and The Duchess of Cornwall	Scheduled flight	2-14 March	LGW - Tobago. Kingston - LGW	56,125
	Charter helicopter	4 Mar	Savannah - various locations - Chaguaramas	9,500
	Charter yacht	6-8 Mar	Trinidad - various locations in the Caribbean - Jamaica	210,000
<i>FCO visit to Trinidad, Tobago, St Lucia, Monserrat and Jamaica</i>				
The Duke of York	Scheduled flight	2 -15 Mar	LHR - Singapore - Mumbai - LHR	36,725
	Charter flight	3-14 Mar	Singapore - Jakarta - Biak - Singapore. Delhi - Mumbai - Pune - Bangalore - Mumbai	212,880
<i>UKTI visit to Singapore, Indonesia and India</i>				
The Queen and The Duke of Edinburgh	Royal Train	6-7 Mar	Euston - Swansea	17,133
	BAe146	7 Mar	Swansea - NHT	2,928
<i>Visit Swansea Leisure Centre and St Thomas Community Primary School, and other engagements</i>				
The Queen and The Duke of Edinburgh	BAe146	18-20 Mar	NHT - Aldergrove - NHT	13,467
<i>Attend Maundy Thursday service and other engagements</i>				

Household	Method of travel	Date	Itinerary	Cost (£)
The Duke of York	Scheduled flight	28 Mar-4 Apr	LHR - Doha. Abu Dhabi - LHR	12,916
	Charter flight	30 Mar-1 Apr	Doha - Amman Marka - Kuwait - Dubai	49,870
<i>UKTI visit to Qatar, Jordan, Kuwait, Dubai, and United Arab Emirates (costs increased by £14,700 due to 32 Squadron unavailability)</i>				
The Prince of Wales	Royal Train	30-31 Mar	Kemble - Penrith	18,916
<i>Visit Black Swan Pub as part of "Pub is the Hub" Initiative, visit Booths supermarket and Howe Bank rural housing scheme, present The Blamire Memorial Trust Award, and other engagements</i>				

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

S76	Various	Various (140 journeys)	366,521
Charter helicopter	Various	Various (47 journeys)	203,007
Charter flight	Various	Various (13 journeys)	72,699
BAe 146	Various	Various (36 journeys)	159,734
HS 125	Various	Various (74 journeys)	166,535
Scheduled flight	Various	Various	143,461
Scheduled rail	Various	Various	48,893
			3,931,221

Key

LHR	London Heathrow
LGW	London Gatwick
ABZ	Aberdeen
EDI	Edinburgh
LYN	Lyneham
NHT	Northolt

APPENDIX 2: OPERATING STATISTICS

AIR TRAVEL

Flying hours

<i>Year to 31st March</i>	2008	2007
	hours	hours
Helicopters	468	514
Fixed wing	189	178
Total flying hours	657	692

HELICOPTERS - FLYING HOURS

<i>Year to 31st March</i>	2008	2007
	hours	hours
The Queen's Helicopter	366	395
Charter helicopters	102	119
Total flying hours	468	514

The helicopter forms an integral element of Royal Travel and provides a highly efficient and cost-effective travel option. The flexibility offered by the helicopter enables members of the Royal Family to undertake a number of engagements at different locations on the same day.

The Queen's Helicopter, a Sikorsky S76 C+, is used by the Royal Household under the terms of a ten-year operating lease and related maintenance contracts; it can carry six passengers. The variable cost for The Queen's Helicopter, including VAT, was £1,018 per flying hour (2006-07: £933). Charter helicopters provided additional capacity during the year when more than one helicopter was required.

FIXED WING (CIVIL OPERATORS)

Flying hours

<i>Year to 31st March</i>	2008	2007
	hours	hours
Small fixed wing aircraft charter	119	107
Large fixed wing aircraft charter	70	71
	189	178

SCHEDULED FLIGHTS

During the year members of the Royal Family travelled 116,000 miles (2006-07: 173,000) on 17 scheduled flights (2006-07: 28).

FIXED WING (32 SQUADRON)

Flying hours

<i>Year to 31st March</i>	2008	2007
	hours	hours
BAe 146	121	112
HS 125	173	183
	294	295

32 Squadron primarily provides air travel to meet the operational requirements of the Armed Services but is also available for members of the Royal Family and Government Ministers. During 2007-08, 9% (2006-07: 9%) of 32 Squadron's flying hours were in respect of use by members of the Royal Family and their staff.

A BAe 146 is a four-engined jet which is configured to carry 19 or 26 passengers; 32 Squadron had two BAe 146s in 2007-08. The hourly variable cost was £2,342 in 2007-08 (2006-07: £2,478). The decrease in the hourly variable cost for the BAe 146 is due to a reduction in maintenance costs.

The HS 125 is a twin-engined jet which carries seven passengers; 32 Squadron had five HS 125s in 2007-08. The hourly variable cost was £973 in 2007-08 (2006-07: £952).

The Squadron's engagement on their primary operational role in the Middle East, coupled with continuing maintenance and serviceability problems experienced by the aircraft upon return to the UK, has affected aircraft availability. The unavailability of 32 Squadron on 8 occasions (2006-07: 15) resulted in an additional £47,000 spent on fixed wing charter aircraft (2006-07: £109,000).

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

RAIL TRAVEL

Royal Train

During the year there have been 19 journeys (2006-07: 11), with an average distance of 755 miles per journey (2006-07: 655 miles). During these journeys a total of 27 nights were spent on the Royal Train (2006-07: 11 nights).

The Royal Train comprises nine coaches, including coaches for Household and railway staff, the Police, communications equipment and electricity supply. Five to eight of the coaches are used at any one time. It enables members of the Royal Family to carry out busy schedules over an extended period in a secure environment which minimises disruption and inconvenience to the public and provides accommodation and office facilities. The Train is available for use, on a recharging basis, by Government and for national interest purposes. However, its configuration is for overnight travel and it is not suitable for large scale travel and entertaining.

A review of the future of the Royal Train six years ago concluded that it should continue to be used as an integral part of Royal Travel but that the Household and Department for Transport should actively monitor costs to ensure it is run and maintained in the most cost effective manner possible. During the eleven years of the Grant-in-aid, costs have been reduced (a 56% reduction in absolute terms) through a number of initiatives (including rationalisation of the coach fleet and reviews of costs with the railway companies).

Scheduled rail

During the year members of the Royal Family made 43 journeys by scheduled rail (2006-07: 49), with an average distance of 146 miles per journey (2006-07: 130 miles).