



BRIEFING PAPER

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Finances of the Monarchy

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Summary

This briefing provides information about the Royal finances. It includes figures for the official income and expenditure of the Queen and the Prince of Wales.

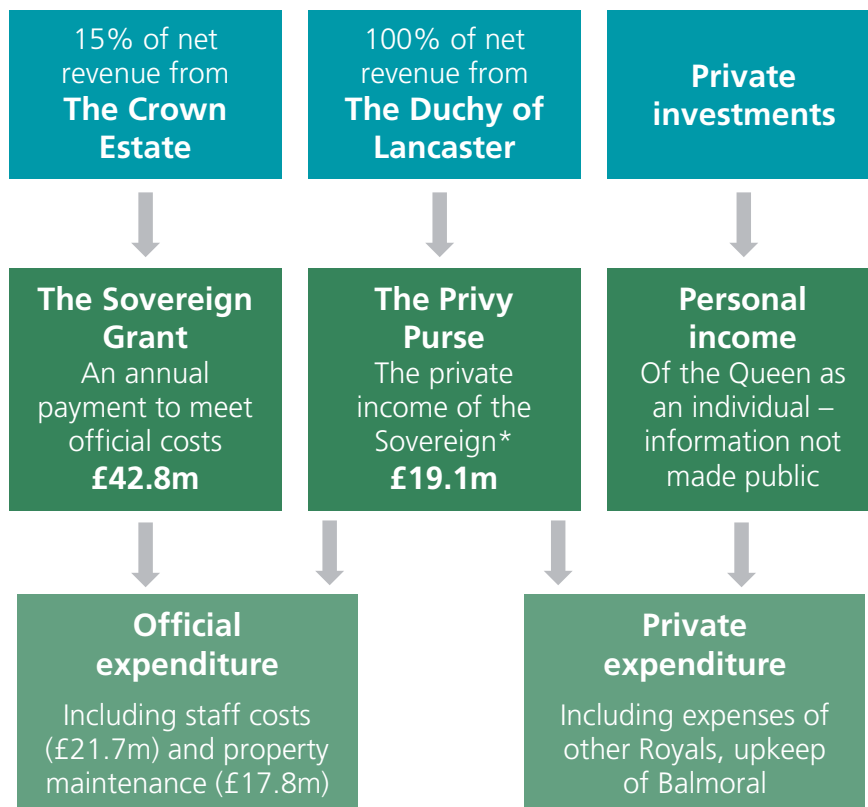
The *Sovereign Grant Act 2011* changed the way in which the Monarchy is funded. The Act removed two existing sources of funding for the Queen – the Civil List and grants-in-aid from Government departments – and replaced them with a single ‘Sovereign Grant’. This arrangement has been in place since 1 April 2012.

The Queen currently receives three kinds of income:

- The Sovereign Grant is used to meet official expenditure. To date, the Grant has been set at 15% of the profits of the Crown Estate, although this will rise to 25% next year. The rest of the Crown Estate’s profits go to the Treasury. The Sovereign Grant was £42.8m in 2016-17, of which £41.9m was used to meet official expenditure and £0.9m was transferred to the Sovereign Grant Reserve.
- The Privy Purse is the private income to which the Queen is entitled as Sovereign, and comes from the net revenue of the Duchy of Lancaster (£19.1m in 2016-17). The Privy Purse is taxable to the extent that it is used for private purposes, but is also used to meet some official expenditure.
- Her personal income, derived from her investment portfolio as an individual. As with any other individual, information about the Queen’s private funds is not made public.

The chart below summarises how this income was generated and used in 2016-17.

Finances of the Monarchy, 2016-17



* Privy Purse income is primarily used for private expenditure, but helps meet some official costs.

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Prior to the *Sovereign Grant Act 2011*, official expenditure was met using an annual Civil List payment and grants-in-aid provided by government departments for specific purposes. Direct payments from the government and Crown Estate were also used to meet official costs, although this type of expenditure declined over the last twenty years of the old system.

More detail on the previous system is available in a Library research paper published when the Sovereign Grant Bill was in progress ([RP11-57](#)). The National Audit Office (NAO) also published a [report on the Sovereign Grant](#) in 2013.

The Prince of Wales' official costs are primarily met from his income from the Duchy of Cornwall. He is entitled to the net revenue of the Duchy, but currently pays income tax at the top rate. In 2016-17, the Prince of Wales received £20.7m from the Duchy of Cornwall (before tax). He also received £1.8m in payments from government departments and the Sovereign Grant in order to meet official expenditure. Overall expenditure (including tax and personal expenditure) was £22.3m, leaving a net surplus of £0.2m.

All statistics used in this report are published in full in supplementary tables, [available online](#).

1. Sources of funding

There are currently three sources of funding for the Queen, or officials of the Royal Household acting on Her Majesty's behalf, in both a public and private capacity.

1.1 The Sovereign Grant

Following the passage of the *Sovereign Grant Act 2011*, the Sovereign Grant replaced two of the four previous sources of funding for the Monarchy on 1 April 2012.

Before 2012, the Queen received an annual Civil List payment as well as several grants-in-aid from the Government intended to meet specific costs. Section 3 describes the previous system in more detail.

The Sovereign Grant is administered by the Treasury and the Act provides for: ¹

- new consolidated Sovereign Grant payment to support HM The Queen in Her official duties;
- full parliamentary approval and scrutiny of grant expenditure;
- continuation and modernisation of support to the heir to the throne;
- continuation of grant arrangements on accession of a new monarch; and
- rationalisation of payments to annuitants.

The Grant is designed to be a more permanent arrangement than the old Civil List system, which was reign-specific. Since 2013-14, funding for the Sovereign Grant has been based on a proportion of the net revenue of the Crown Estate. This was initially set at 15% of the profits for the financial year two years previously.

The grant is reviewed every five years by the Royal Trustees.² The Royal Trustees have agreed that, from 2017-18, the Sovereign Grant will rise to 25% of profits of the Crown Estate two years previously. This means that the Sovereign Grant for 2017-18 will be £76.1m. The additional revenue is to be used to fund the refurbishment of Buckingham Palace.

Section 2 of this briefing has more information about trends in the net revenue of the Crown Estate.

The table overleaf shows how the Sovereign Grant has been used in combination with other income to meet official expenditure to date. The Sovereign Grant for 2016-17 was £42.8m, of which £41.9m was

¹ HM Treasury, [Sovereign Grant Act](#) – Accessed 11 September 2014

² The Prime Minister, the Chancellor of the Exchequer and the Keeper of the Privy Purse. For detailed information about the *Sovereign Grant Bill* see Library Research Paper 11/57 at <http://www.parliament.uk/briefing-papers/RP11-57.pdf>

used to meet official expenditure and £0.9m was transferred to the Sovereign Grant Reserve.

Expenditure met with the Sovereign Grant has risen 26% over the last five years. This has partly been driven by a rise in spend on 'property maintenance and other major projects', which increased by 96% in the same period.

Table 1: Income and expenditure of HM The Queen

£ million

	2012-13	2013-14	2014-15	2015-16	2016-17
Sovereign Grant income	33.3	35.7	35.7	39.8	41.9
Sovereign Grant	31.0	36.1	37.9	40.1	42.8
Transfer to / from Sovereign Grant Reserve	2.3	-0.4	-2.2	-0.3	-0.9
Other income	11.6	13.4	13.3	13.9	14.9
Property rental	3.0	3.2	2.8	2.9	3.1
Facilities management charges	3.7	4.4	4.5	5.1	5.3
Recharges for functions and other income	4.9	5.8	6.0	5.9	6.5
Total expenditure	44.9	49.1	49.0	53.7	56.8
Payroll costs	18.3	18.2	18.7	19.5	20.3
Other staff costs	1.2	1.3	1.2	1.4	1.4
Property maintenance and other major projects	9.1	13.3	11.7	16.3	17.8
Travel	4.5	4.2	5.1	4.0	4.5
Utilities	3.1	3.3	3.4	3.3	3.1
Housekeeping and hospitality	1.9	2.0	2.1	2.1	2.2
Other	6.8	6.8	6.8	7.1	7.5
Expenditure met with Sovereign Grant	33.3	35.7	35.7	39.8	41.9
Surplus	0	0	0	0	0

Source: *The Sovereign Grant and Sovereign Grant Reserve annual report and accounts*, various years (via www.royal.uk/media-packs)

1.2 The Privy Purse

The Privy Purse represents the private income to which the Queen is entitled as Sovereign. It is currently used to meet both official and private expenditure.

Income from the Duchy of Lancaster funds the Privy Purse. This income is subject to income tax, but the Duchy itself does not pay tax. The Duchy is a landed estate of approximately 18,500 hectares in England and Wales held in trust for the Sovereign since 1399. The Sovereign is not entitled to the Duchy's capital but the net revenues of the Duchy are the property of the Sovereign in right of her Duchy of Lancaster. Accounts for the Duchy of Lancaster are published and laid before Parliament annually.

The Chancellor of the Duchy of Lancaster, who is the equivalent of the chairman of trustees, has in recent years been a Government minister,

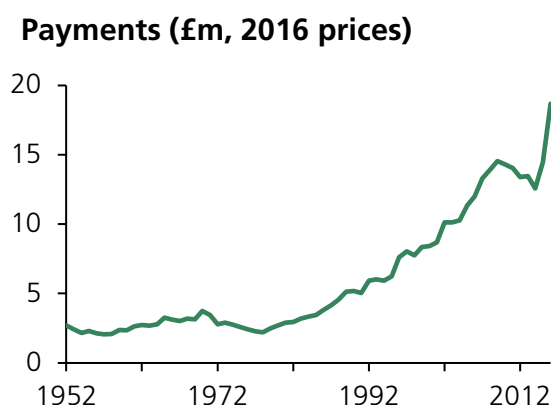
although this is not a requirement. The current Chancellor of the Duchy of Lancaster is the Rt. Hon Patrick McLoughlin MP.

The Privy Purse is the Queen's private income although it is used by Her Majesty to meet some official expenditure, including expenses incurred by other members of the Royal Family.³ The Privy Purse also pays for the upkeep of Balmoral, the Queen's estate in Scotland.

Table 2 below shows recent payments to the Privy Purse from the Duchy of Lancaster. The Duchy generated £19.1m for the Privy Purse in 2016-17. The chart shows the real-terms trend in income from the Duchy since 1952 – the data can be downloaded from the [supplementary tables to this briefing](#).

Table 2: Payments to the Privy Purse from the Duchy of Lancaster

Year ending	Payments (£000s)	
	Nominal	2016-17 prices
2007	11,627	13,846
2008	12,506	14,540
2009	13,267	15,017
2010	13,262	14,808
2011	13,276	14,557
2012	12,865	13,913
2013	13,165	13,945
2014	12,500	13,026
2015	14,461	14,851
2016	19,005	19,384
2017	19,116	19,116



Sources: Duchy of Lancaster Annual Report and Accounts, various years; HM Treasury, [GDP Deflators June 2017](#); Bank of England, [A millennium of macroeconomic data](#), version 3 (long-term GDP deflator for chart)

1.3 Private income

The Queen's personal income, derived from her personal investment portfolio, is used to meet private expenditure. As for any other individual, the Queen's private funds are not made public. The Sunday Times has estimated a personal wealth of some £340 million,⁴ however, a spokesman for Buckingham Palace has said that "the Queen's personal wealth has always been vastly exaggerated."⁵

Estimates of the Queen's personal wealth vary and can include items which are held by her as Sovereign 'on behalf of the nation', and which

³ Under the provisions of the Sovereign Grant Act, the payment of Parliamentary Annuities for members of the Royal Family have ceased with the exception of the annuity for The Duke of Edinburgh. The Queen now meets these costs directly.

⁴ BBC News Online, [How rich is the Queen?](#), 25 June 2015

⁵ Daily Telegraph, [Queen 12th in Forbes list of richest royals](#), 21 August 2008

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are therefore not her private property. These include the official Royal residences, the majority of art treasures from the Royal Collection and the Crown Jewels.⁶ Some of these items cannot be sold as they are held by the Queen as Sovereign and must be passed to her successor as Sovereign.

The Queen and some members of the Royal Family past and present have made private collections – such as the stamp collection begun by George V. The Royal Philatelic collection is separate to the Royal Collection, although exhibitions are sometimes made.

The Balmoral Estate is owned by Trustees with Her Majesty being the beneficiary of the Trust. The Queen owns The Royal Stud at Sandringham as well as a small amount of land in Hampshire, but owns no property outside of the United Kingdom.

⁶ Royal Household, [Royal Finances: The Queen's personal wealth and income](#) – Accessed 23 January 2016

2. The Crown Estate

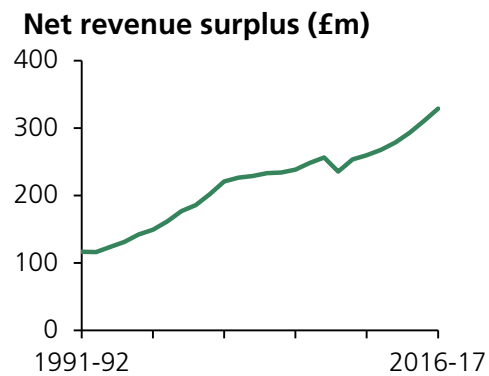
Funding for the Sovereign Grant comes from a proportion of the profits of the Crown Estate. The Estate is governed by the 1961 *Crown Estate Act* and manages the property owned by the Crown; however, this portfolio is not the private property of the Queen.

The Exchequer has received income from the Crown Estate since George III surrendered this in return for a fixed Civil List.

The table below shows trends in the net revenue surplus of the Crown Estate over the last ten years. In 2016-17, the net revenue surplus of the Crown Estate was £328.8m, an increase of around 8% on the year before. The chart on the right shows longer-term trends in real terms.

Table 3: Net revenue surplus from the Crown Estate

	Net revenue surplus (£000s)	
	Nominal	2016-17 prices
2006-07	200,072	238,249
2007-08	213,400	248,112
2008-09	226,500	256,377
2009-10	210,700	235,255
2010-11	230,900	253,179
2011-12	240,200	259,769
2012-13	252,600	267,561
2013-14	267,100	278,329
2014-15	285,100	292,786
2015-16	304,100	310,172
2016-17	328,800	328,800



Sources: [Crown Estate](#), Annual Report and Accounts, various years; HM Treasury, [GDP Deflators June 2017](#)

3. Previous arrangements

Prior to the *Sovereign Grant Act 2011*, the Queen's official expenditure was met using the following sources:

- the Civil List, an annual grant for immediate official expenses;
- grants-in aid provided by Government departments for specific purposes; and
- additional expenditure by the Crown Estate and Government Departments to meet official costs.

Parliamentary Annuities were also provided to other members of the Royal Family, primarily to meet the cost of official engagements. However, from 1993-94 the Queen used the Privy Purse to pay these costs back to the Treasury, with the exception of Annuities for the Duke of Edinburgh and the late Queen Mother.

The sections below summarise funding under the previous arrangements. Library research paper [RP11-57](#), produced ahead of the Sovereign Grant Bill, provides a more detailed overview of the old system.

3.1 The Civil List

Under the terms of the *Civil List Act 1952*, the Queen surrendered the income from the Crown Estate and other hereditary revenues in return for:

- the provision of an annual Civil List to meet Her Majesty's immediate official expenses
- the provision of Parliamentary Annuities for other members of the Royal Family
- Government Departments meeting other expenditure incurred in support of the Monarchy directly from their annual votes.

The 1952 Act set the annual Civil List payment at £475,000 per annum. It was intended to cover costs including the salaries and expenses involved in running the Royal Household.

A 1971 Select Committee inquiry found that £475,000 was no longer sufficient for all the costs that the Civil List is intended to cover, and that the Queen had been using the Privy Purse and other sources to meet these costs. As a result, the *Civil List Act 1972* raised the Civil List payment to £980,000 and made it subject to periodic review. The *Civil List Act 1975* also allowed for the Treasury to supplement the Civil List with additional funding if needed.

The table on the right summarises changes to the Civil List grant during the Queen's reign. The grant was set at £7.9m between 1991 and 2011, when it was abolished.

The Queen's Civil List Grants

Period	Grant (£)
1952 to 1971	475,000
1972 to 1974	980,000
1975 to 1983	1,400,000
1984 to 1990	3,850,000
1991 to 2011	7,900,000

Source: *Report of the Royal Trustees*, various years

3.2 Grants-in-aid and other sources

Grants-in-aid were provided annually to the Royal Household by the Department for Culture, Media and Sport (DCMS) for property services and communication and information. The Department for Transport (DfT) provided a grant for royal travel.

Particularly before the introduction of grants-in-aid, other payments by Government departments and the Crown Estate were also used to meet official expenditure.

3.3 Official expenditure 1992-2011

Official Head of State expenditure met by public funds decreased from £65.5m in 1992 to £36.3m in 2011.

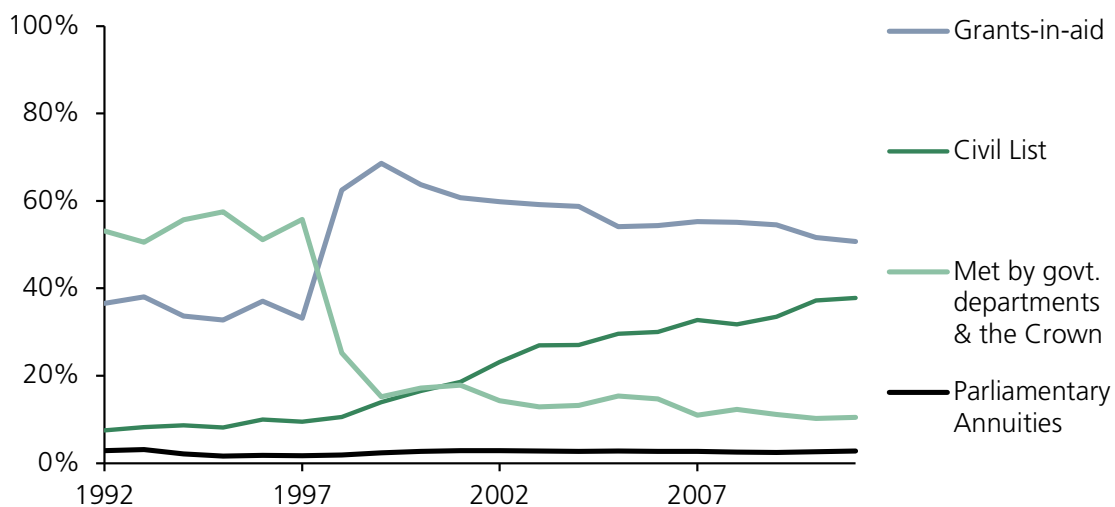
The chart below shows how different sources were used to meet this expenditure. In 1992, the bulk of expenditure was met directly by government departments and the Crown Estate (53%). 37% was met by grants-in-aid and 7% was met using the Civil List.

The amount of expenditure met directly by government departments and the Crown Estate decreased in the late 1990s, replaced by increasing expenditure via specific grants-in-aid. Civil List expenditure also increased (the Civil List grant paid by the government remained the same, but some of this was put into reserve before being drawn down in later years). By 2011, grants-in-aid met 51% of expenditure, the Civil List met 38% and direct expenditure met 10%.

The online [supplementary tables](#) to this briefing paper summarise the sources used to meet Head of State expenditure in more detail, including the size of specific grants-in-aid.

Head of State expenditure met with public funds

As % of total expenditure, 1992-2011



Sources: *Royal Public Finances: Annual reports 2003-04 to 2010-11*, Keeper of the Privy Purse; *Head of State expenditure met from public funds*, various years, Keeper of the Privy Purse; *Report of the Royal Trustees, 2000*, Table 6.1; all via House of Commons Library, Research Paper [RP11-57](#).

4. Taxation

The Queen has always been subject to Value Added Tax (VAT) and other indirect taxes. She also pays local rates (council tax) on a voluntary basis. Since 1992, Her Majesty has voluntarily paid income tax and capital gains tax. Since 1993, her personal income has been taxable as for any taxpayer and the Privy Purse is taxable to the extent that the income is not used for official purposes.⁷

Although the Queen's estate would be subject to inheritance tax, it was agreed in 1993 that bequests from Sovereign to Sovereign are exempt.⁸ Bequests made to the Sovereign on the death of the consort of a former Sovereign are also exempt.⁹ This is because constitutional impartiality requires a degree of financial independence for the Sovereign and because the Sovereign is unable to generate significant new wealth through earnings. The Government at the time also felt that there "could, for example, be no question of taxing assets such as the royal palaces which the Queen owns as sovereign and not in a private capacity" but that "inheritance tax should apply to all bequests or gifts by the sovereign other than to transfers of assets from one sovereign to his or her successor".¹⁰

As a Crown body, the Duchy of Cornwall is tax exempt, but since 1969 the Prince of Wales has made voluntary contributions to the Exchequer (see section 5). Since 1993, the Prince of Wales' income from the Duchy has been fully subject to tax on a voluntary basis. The Prince has always paid tax, including income tax, in all other respects.

⁷ HM Government, [Memorandum of Understanding on Royal Taxation](#), March 2013

⁸ [HC Deb 11 February 1993 c1113-21](#)

⁹ HM Government, [Memorandum of Understanding on Royal Taxation](#), March 2013

¹⁰ [HC Deb 11 February 1993 c1113-21](#)

5. The Prince of Wales

5.1 Income and expenditure

The majority of the Prince of Wales' official costs are met from his income from the Duchy of Cornwall. The Duchy also funds the official costs of the Duchess of Cornwall, the Duke and Duchess of Cambridge and Prince Harry. Accounts for the Duchy of Cornwall are published and laid before Parliament annually.

The Sovereign Grant is also used to meet some official expenses, including travel for official visits.

Table 5 below summarises the income and expenditure of the Prince of Wales. In 2016-17, the income of the Prince's household was £22.5m, of which £20.7m came from the Duchy of Cornwall. Overall expenditure was £22.3m, leaving a net surplus of £0.2m.

Table 5: Income and expenditure of the Prince of Wales

£ million

	2012-13	2013-14	2014-15	2015-16	2016-17
Total income and funding	20.20	21.68	22.08	21.90	22.52
Duchy of Cornwall	19.05	19.05	19.85	20.47	20.72
Grants-in-aid/Sovereign Grant	0.86	1.60	1.74	0.97	1.34
Government Departments	0.29	0.29	0.50	0.47	0.46
Total expenditure	17.83	18.49	18.77	17.66	18.75
Official duties and charitable activities	9.80	9.94	9.44	9.13	9.09
Overseas tours and military secondees	0.29	0.57	0.50	0.47	0.46
Other met by grants-in-aid/Sovereign Grant	0.86	1.60	1.74	0.97	1.34
Tax and personal expenditure	6.88	6.38	7.09	7.77	7.86
Tax	4.43	4.19	4.48	5.01	4.76
Personal expenditure	2.45	2.19	2.61	2.75	3.10
Additional expenditure^a	2.09	2.89	2.97	3.25	3.53
Surplus/deficit	0.28	0.30	0.34	0.32	0.24

Notes: ^a Includes capital expenditure (less depreciation), transfer to reserves, and funding for the official activities of the Duke and Duchess of Cambridge and Prince Harry.

Source: [The Prince of Wales and Duchess of Cornwall Annual Review](#), various years

5.2 Duchy of Cornwall

Prince Charles has been entitled the whole of the net revenues of the Duchy since the age of 21. Initially, he voluntarily surrendered half of these to the Consolidated Fund (i.e. to the government). After his marriage in 1981, the proportion surrendered was reduced to 25%. Since 1993, he has been voluntarily subject to income tax at the top rate. In 2016-17, the Prince of Wales paid around £4.8 million in tax.

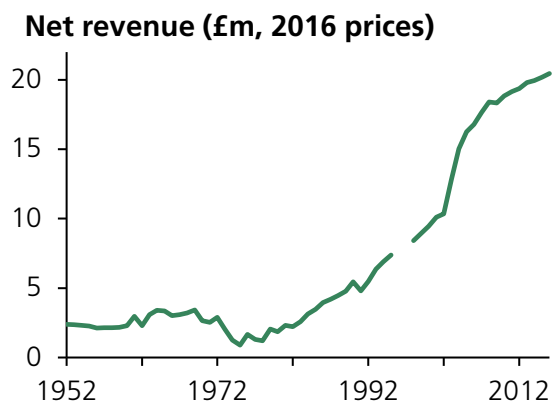
The table below shows trends in the net revenues of the Duchy of Cornwall. Net revenue was around £20.7m in 2016-17, an increase of 1.2% on the year before.

The chart shows net revenues since 1952 in 2016 prices. The Duchy's annual net revenue has been increasing since the 1970s.

Table 6: Net revenues of the Duchy of Cornwall

£000s, financial years

Year ending	Payments (£000s)	
	Nominal	2016-17 prices
2007	15,174	18,069
2008	16,273	18,920
2009	16,458	18,629
2010	17,161	19,161
2011	17,796	19,513
2012	18,288	19,778
2013	19,051	20,179
2014	19,510	20,330
2015	19,845	20,380
2016	20,467	20,876
2017	20,719	20,719



Sources: Duchy of Cornwall Annual Report and Accounts, various years; HM Treasury, [GDP Deflators June 2017](#); Bank of England, [A millennium of macroeconomic data](#), version 3 (long-term GDP deflator for chart)

The Duchy's name is derived from the Earldom of Cornwall, which Edward III elevated to a Duchy in 1337. The Duchy's founding charter included the gift of estates spread throughout England. The charter also stated that the Duchy should be in the stewardship of the Heir Apparent to provide the Heir with an income independent of the Sovereign or the State.

The Duchy is predominantly agricultural land and consists of 53,154 hectares of land in twenty four counties, mostly in the South West of England. The Duchy also has a financial and property portfolio. It is run on a commercial basis, as prescribed by the Parliamentary legislation overseen by the Treasury.

Prince Charles became the 24th Duke of Cornwall on the Queen's accession in 1952. He is in effect a trustee and is not entitled to the proceeds or profit on the sale of assets, and only receives the annual income which they generate, which is voluntarily subject to income tax. The Prince must pass the estate on intact, so that it continues to provide an income from its assets for future Dukes of Cornwall.

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