EXPLANATORY MEMORANDUM TO

THE SOVEREIGN GRANT ACT 2011 (CHANGE OF PERCENTAGE) ORDER 2024

2024 No. 52

1. Introduction

1.1 This explanatory memorandum has been prepared by HM Treasury and is laid before the House of Commons by Command of His Majesty.

2. Purpose of the instrument

2.1 The purpose of this instrument is to amend section 6(1) of the Sovereign Grant Act 2011 ("the Act") so that the percentage specified in Step 1 of that section is changed from "25%" to "12%".

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

3.1 None.

4. Extent and Territorial Application

4.1 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales, Scotland and Northern Ireland.

4.2 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales, Scotland and Northern Ireland.

5. European Convention on Human Rights

5.1 The Exchequer Secretary to the Treasury has made the following statement regarding Human Rights:

"In my view the provisions of the Sovereign Grant Act 2011 (Change of Percentage) Order 2024 are compatible with the Convention rights."

6. Legislative Context

6.1 Each financial year the Sovereign Grant is paid by the Treasury to His Majesty in accordance with the Act.

6.2 The amount of Sovereign Grant which is payable for a financial year ("the relevant year") is determined by the Royal Trustees in accordance with a formula in section 6(1) of the Act. Once determined by the Trustees, that amount is included in an annual report published under section 5 of the Act.

6.3 Step 1 of the formula in section 6(1) of the Act requires the Royal Trustees to calculate 25% of the income amount net surplus of the Crown Estate for the financial year that begins two years before the relevant year. The income amount net surplus of the Crown Estate is defined for these purposes in section 12(1) of the Act.

6.4 Under section 7 of the Act, the Royal Trustees are periodically required to review whether the percentage specified in Step 1 of section 6(1) of the Act ("the relevant

percentage") is appropriate. If the trustees consider that the relevant percentage is not appropriate, they must state in a report the percentage that they consider should apply.

6.5 If a report under section 7 of the Act states that the Royal Trustees consider that the relevant percentage is not appropriate, the Treasury is required to make an order which substitutes, for the relevant percentage, the new percentage which is specified by the Royal Trustees in their report (see section 8 of the Act).

6.6 The second review under section 7 of the Act has been completed by the Royal Trustees and the findings of that review are included in the report *Sovereign Grant Act 2011: Report of the Royal Trustees on the Sovereign Grant Review 2023* (July 2023) available at: Report of the Royal Trustees on the Sovereign Grant Review 2023 – Publications – GOV.UK

6.7 Paragraph 7.3 of that report states that the relevant percentage should be decreased from 25% to 12%. Accordingly, under section 8(2) of the Act the Treasury is required to make an order which changes the relevant percentage from 25% to 12%. This instrument will give effect to that obligation, and it is subject to the negative procedure because the relevant percentage is being decreased (see section 8(3) and 8(4) of the Act).

7. Policy background

What is being done and why?

7.1 The purpose of the Sovereign Grant is to provide resources for use by the Royal Household in support of His Majesty's official duties as Sovereign. These include:

- The maintenance of occupied Royal palaces, which are used for formal entertaining and ceremonial events;
- Royal travel for official engagements in the UK and overseas undertaken by The King and Other Members of the Royal Family acting on His behalf; and
- Employment costs for Royal Household staff who support the work of His Majesty as Head of State.

7.2 Under the Act, the Royal Trustees (the Prime Minister, Chancellor, and the Keeper of the Privy Purse) had to consider whether the current level of 25% of the Crown Estate's revenues from two years previously remains appropriate to determine the amount of Sovereign Grant to be paid to support The King's official duties. Following the Royal Trustees Review in July 2023, the Trustees concluded that the relevant percentage should change from 25% to 12%.

7.3 When deciding that a lower percentage is now appropriate, the Royal Trustees considered the Royal Household's current income and expenditure, the level of the Sovereign Grant Reserve, the costs of major projects to be carried out including the remaining Buckingham Palace reservicing works, and the projected profits of the Crown Estate over the next two years– including increased revenues from offshore wind.

7.4 The new percentage of 12% is expected to result in a temporary increase in the Sovereign Grant for two years which will provide funding needed to complete the Buckingham Palace reservicing programme, as agreed by the government in 2016. Once the Buckingham Palace reservicing is complete, and subject to the future review

by the Royal Trustees, government intends to bring forward legislation to reset the level of the Grant to an appropriate lower level.

8. European Union Withdrawal and Future Relationship

8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

9.1 As this instrument only amends section 6(1) of the Act, consolidation is not necessary.

10. Consultation outcome

10.1 No consultation has been undertaken, since the Treasury are required to act on the outcome of the review undertaken by the Royal Trustees.

11. Guidance

11.1 The Royal Trustees Report was laid in Parliament on 20 July 2023 and is available on gov.uk

12. Impact

12.1 There is no, or no significant, impact on business, charities or voluntary bodies.

12.2 The impact on the public sector is that the proportion of Crown Estate revenue retained by the Exchequer will increase.

12.3 An Impact Assessment has not been prepared for this instrument.

13. Regulating small business

13.1 The legislation does not apply to activities undertaken by small businesses.

14. Monitoring & review

14.1 Under section 7 of the Act, the Royal Trustees are periodically required to review whether the percentage specified in Step 1 of Section 6(1) of the Act is appropriate. The next review will commence in 2026 when the percentage substituted by this instrument will be reconsidered.

15. Contact

15.1 Sophie Gladman at HM Treasury. Telephone: 07816 630753 email: sophie.gladman@hmtreasury.gov.uk can be contacted with any queries regarding the instrument.

15.2 David Fairbrother, Deputy Director and Treasury Officer of Accounts at HM Treasury can confirm that this Explanatory Memorandum meets the required standard.

15.3 Gareth Davies, Exchequer Secretary at HM Treasury can confirm that this Explanatory Memorandum meets the required standard.