

Worth every penny?

The real cost of the monarchy to British taxpayers



 **Republic**

Worth every penny?

The real cost of the monarchy to British taxpayers



Republic is a membership-based pressure group campaigning for the abolition of the monarchy and its replacement with a directly elected head of state.

We represent all Britain's republicans, bringing the case for a republic to a wider audience while scrutinising the actions of the royal household. We are strictly non-party political and have the support of over 30,000 republicans.

We are a democratic organisation, led by our members and underpinned by a set of core principles. We are an inclusive movement, with members and supporters from across the political spectrum and from a diverse range of backgrounds.

www.republic.org.uk
@republicstaff

Republic Campaign
Suite 14040
145-157 St John Street
London EC1V 4PY

Introduction

Since 1993 the royal household has published an annual finance report, claiming to show the total cost of the monarchy to the British taxpayer.

This official figure, however, is a fraction of the monarchy's total cost. It excludes a range of hidden costs that together come to hundreds of millions of pounds.

This report is an attempt to determine a more accurate cost of the monarchy, so that journalists, politicians and the public have a realistic view of what the royal household costs us.

Our research suggests that, once hidden costs are taken into account, the British head of state is one of the most expensive government institutions in the world.

The huge waste and extravagance of the monarchy is a symptom of the main problem: the royal household is effectively unaccountable, operating with far greater secrecy than any other part of the state. It also has considerable lobbying clout, which explains the government's reluctance to rein in royal spending.

Of course Republic's aim remains clear: we seek the abolition of the monarchy. The research presented here, however, makes the case for a radical overhaul of royal funding more compelling than ever.



Key findings

- ⇒ The estimated annual cost of the monarchy is £299.4m, around nine times the official figure published by the royal household
- ⇒ The official figure excludes a number of costs, including security, royal visits and lost revenue from the Duchies of Lancaster and Cornwall
- ⇒ £299.4m is equivalent to the cost of 14,000 nurses, 13,000 police officers and 14,000 teachers
- ⇒ Britain's royal family is the most expensive in Europe

The breakdown

Republic's estimated cost of the monarchy, 2013-2014

| | Cost (£m) | |
|--|--------------|-----|
| Expenditure of royal household (sovereign support grant) | 33.3 | [a] |
| Annuity for Duke of Edinburgh | 0.4 | [b] |
| State buildings used by royal family | 30.0 | [c] |
| Duchy of Cornwall profits/gains - lost | 54.8 | [d] |
| Duchy of Lancaster profits/gains - lost | 35.5 | [e] |
| Royal Collection net surplus - lost | 9.8 | [f] |
| Cost of royal visits | 21.5 | [g] |
| Royal household pension scheme | 2.2 | [h] |
| Security | 102.0 | [i] |
| Costs met by government departments and the Crown Estate | 3.8 | [j] |
| Cost of Lord Lieutenants | 2.1 | [c] |
| Bona vacantia proceeds - Duchy of Cornwall | 0.3 | [d] |
| Bona vacantia proceeds - Duchy of Lancaster | 3.4 | [k] |
| Civil list pensions | 0.1 | [l] |
| Legal costs to maintain royal secrecy | 0.2 | [m] |
| | 299.4 | |

Notes

- a) The Sovereign Grant annual report 2012/13, expenditure shown net of recharges etc
- b) Report of the Royal Trustees, 2 July 2012
- c) Original Republic research, April 2014
- d) 2013 Annual Report of Duchy of Cornwall
- e) 2013 Annual Report of Duchy of Lancaster
- f) Incoming resources after pension movement per 2013 accounts of Royal Collection Trust (latest filed with Charity Commission)
- g) Estimate based on freedom of information responses and Court Circular
- h) Figures available from <http://openspending.org/ukgov-finances-cra/pog/P41%20S130208/entries#pog:P41%20S130208>
- i) 80% (estimated proportion allocated to royalty protection) of £128m SO14 budget, revealed in Home Affairs Select Committee hearing, September 7 2010, HC 441-i, Q.29
- j) Research Paper 11/57, House of Commons (2011 figures)
- k) Cabinet Office email (released to Republic under freedom of information rules)
- l) Treasury email, January 9 2014 (released to Republic under freedom of information rules)
- m) No official figures published. The Guardian reported on 28 March 2014 that £250k had been spent on legal fees to prevent the publication of letters written by Prince Charles to politicians



Photo: John Pannell on Flickr, CC BY 2.0

Security £102m

The extended royal family receives round-the-clock, armed protection from specialist officers. The bill is picked up by the metropolitan police.

"Rent-free royals" £30m

The provision of grace and favour apartments to members of the royal family and their staff deprives the Treasury of millions.



Photo: www.all-free-photos.com



Photo: York Labour on Flickr, CC BY-NC-SA 2.0

Royal visits £21.5m

Council tax payers regularly meet the costs of royal visits, including policing, road closures, renovation, cleaning, food and drink, photography, floral decorations and flags.

Lost profits from the Duchies £90m

Revenue from the Duchies of Lancaster and Cornwall goes directly to the Queen and Prince Charles, despite belonging to the nation.

Photo: Colin Smith on Geograph, CC BY-SA 2.0



Why include the Duchies?

The Duchy of Lancaster and Duchy of Cornwall are portfolios of land, property and assets - including key urban developments, historic buildings, and farmland in many parts of England and Wales - held in trust for the Sovereign and the heir to the throne respectively.

The multi-million pound surplus revenue from the Duchies is paid each year to the Queen and Prince Charles.

Lost revenue and capital gains from the Duchies is included in Republic's total estimated cost of the monarchy because the Duchies are not, and never have been, the personal property of the Windsor family.

Neither the monarch or the heir to the throne are entitled to the Duchies' capital or capital profits and are only eligible to receive their surplus while occupying a constitutional role.

The Duchies provide an income to the monarch and the heir to the throne. In a republic, there would be no monarch or heir to the throne so the surplus would be paid to the Treasury to the benefit of all taxpayers.

Some supporters of the monarchy have tried to argue that the Duchies are the personal property of the Queen and Prince Charles - this simply is not the case. When Edward VIII abdicated he was allowed to keep his private property but not the

Duchies owned in an official capacity. The Duchies are both described as Crown Bodies in a Memorandum of Understanding on Royal Taxation published by the UK Government in March 2013 which was also signed by representatives of the Queen and Prince Charles.³ The Memorandum also states that the Duchies enjoyed the Crown exemption from taxation.

The Queen and Prince Charles are happy to allow the Duchies to be classed as part of the state when it means they can state immunity to avoid paying tax though not when it comes to public accountability. In 2011, the Duchy of Cornwall lost a legal case in which it had argued it was "an entirely private operation.", the Tribunal ruled that the Duchy of Cornwall was in fact a public authority.⁴

How is the monarchy funded?

The monarchy is not funded like other public bodies, which are set an annual budget based on what they need to spend.

Until 2013, the royal household – that's the Queen and the other working royals – were funded by a civil list payment and a number of separate grants covering travel, property maintenance, communications and other expenses.

All these costs have now been rolled into one single annual payment called the sovereign support grant. This has been set at 15% of surplus revenue from the crown estate - a publicly-owned property portfolio - resulting in a payment of £36.1m for 2013/2014.

Hidden costs

The sovereign support grant is just one part of the total cost of the monarchy. Our research has identified a series of hidden costs—a combination of direct expenditure, lost revenue and opportunity costs—that are omitted from official reports. They are either kept secret (such as the cost of security) or recorded in the accounts of individual trusts, local councils and government departments.

When these are included, the real cost of the monarchy is likely to be around nine times the official figure.

Oversight and accountability

In theory, the introduction of the sovereign support grant brought increased scrutiny of the royal finances. The national audit office (NAO) and the public accounts committee (PAC) are now responsible for ensuring the grant is spent wisely.

However, while the PAC was highly critical of royal spending in its first report on the grant, there is no sign that the government intends to enact its recommendations.¹ On the contrary, chancellor George Osborne accused the PAC of "meanness".²

In any case, the NAO and PAC only oversee the spending of the sovereign grant—not the many millions of pounds in hidden costs.



The official royal annual report omits many hidden costs

Comparisons with other heads of state

Our research shows that the Queen is by some way the most expensive head of state in Europe. The enormous size of the disparity—the cost of the British monarchy is more than 20 times that of the Austrian president, for example—raises serious questions about the value for money that taxpayers receive from their head of state.

| | Cost (£m) |
|-------------------|-----------|
| Monarchies | |
| Spain | 8 |
| Luxembourg | 9 |
| Belgium | 14 |
| Denmark | 13 |
| Sweden | 15 |
| The Netherlands | 40 |
| Norway | 41 |
| Republics | |
| Romania | 4 |
| Austria | 6 |
| Portugal | 12 |
| Finland | 15 |
| Germany | 26 |
| Poland | 35 |

Figures from official government sources, media reports and Matthijs, H, 'How Much Does A (European) Head Of State Cost?', Scottish Journal of Arts, Social Sciences and Scientific Studies Volume 13, Issue II, July, 2013. They do not include security, use of state buildings or costs of royal/presidential visits.

What £299.4m could buy

Relative to overall government spending, £299.4m can seem small. But it is equivalent to significant items of public expenditure, such as:

- ⇒ 14,000 newly qualified NHS nurses⁵
- ⇒ 13,000 police officers on commencing service⁶
- ⇒ 14,000 newly qualified public sector teachers⁷

Against a background of deep cuts to public services, it is reasonable to ask why the royal household has been protected from even the most modest of efficiency savings.



Photo: Salim Fadhley on Flickr, CC BY-SA 2.0



Photo: Bob Embleton on Geograph, CC BY-SA 2.0 UK

Cuts to flood defences: £247m

Research by the official House of Commons library (SN/SC/5755) found that the amount spent on flood defences between 2007 and 2011 has been cut by £247m in real terms.

Some environmental groups have claimed the cut may have contributed to the damage caused by the floods this winter.

Is the monarchy good for tourism?

Over 80% of Britons believe that the royal family provides “a significant amount of revenue for Britain through tourism”⁸ but there is little evidence for it.

Chester Zoo, Stonehenge and the Roman Baths (below) are all more successful tourist attractions than Windsor Castle, the only occupied royal residence to attract visitors in large numbers. If it was included in the Association of Leading Visitor Attractions (ALVA) list of top attractions it would come in at number 24.⁹



Photo: Andrew Dunn, www.andrewdunnphoto.com/

VisitBritain's £500m figure

The claim that the monarchy is good for tourism seemed to receive official endorsement when VisitBritain, the UK's national tourism agency, published a report claiming the royal family generated £500m of inbound tourism spending every year.

But the research was deeply flawed. To get the figure, VisitBritain took previous research which found that 28% of visitors were attracted by Britain's culture and heritage, then estimated that a quarter of Britain's heritage attractions had “ties” with the British monarchy.

£500m is simply a quarter of the estimated total spend by visitors attracted by Britain's culture and heritage.

Even VisitBritain now admits that the figure says nothing about what might happen if we transferred to a republic. And even if we accept the figure, it equates to just 0.03% of GDP. The margin of error when calculating GDP is 0.7%.

Is the cost of the monarchy offset by Crown Estate income?

The Crown Estate is a land and property portfolio, managed on behalf of the Government, whose surplus revenue is paid annually to the Treasury.

It is sometimes claimed that the Queen “surrenders” Crown Estate revenue to the nation, subsidising the monarchy through a personal financial sacrifice. In fact, as the Crown Estate itself puts it, “The property we manage is owned by the Crown but is not the private property of the monarch.”¹⁰

The source of the confusion comes from the fact that a small part of the existing Crown Estate portfolio was the property of the monarch before the end of the 18th century, when the king had responsibility for the expenses of civil government.

But this changed once the state (the Crown) and the person of the monarch became separate during the reign of George III. Since then the Crown Estate has been the “hereditary possessions of the Sovereign”, not the personal possessions of the individual acting as Sovereign.

If the monarchy were to disappear tomorrow, the Crown Estate would continue to do what it has always done for nearly one thousand years - provide income for the administration of this country.



The Crown Estate owns almost the entire freehold to London's Regent Street

Photo: Dan Perry on Flickr, CC BY 2.0

Royal finances reform charter

Notes

Republic's royal finances reform charter proposes the following simple reforms to improve accountability, transparency and fairness in royal finances and to appropriately assign public funds.

1. Parliament to set an annual fixed budget for the monarchy - including an annual salary for the Queen - to be managed and reported on by a government department, not the royal household.
2. All security costs to be made transparent and accountable.
3. All costs of royal visits around the country to be incorporated into the monarchy's budget, not met by local authorities.
4. The institution of the monarchy, and all members of the royal household, to be required to abide by the same tax regime as other public bodies and private individuals.
5. The Duchies of Lancaster and Cornwall to be fully investigated by parliament with a view to transferring them into public ownership, with all revenue going to the Treasury.
6. The Crown Estate to be renamed the National Estate and its status clarified through amendment of the Crown Estate Act.

1. <http://www.independent.co.uk/news/uk/politics/we-are-not-amused-mps-tell-queen-to-rein-in-her-spending-as-she-reaches-final-million-9089312.html>
2. <http://www.dailymail.co.uk/news/article-2547516/Stop-unfair-attacks-Queen-warns-George-Osborne-insists-royals-tightened-belts.html>
3. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/208633/mou_royal_taxation.pdf
4. <http://www.informationtribunal.gov.uk/DBFiles/Decision/i600/20111206%20Decision%20&%20Ruling%20EA20100182.pdf>
5. <http://www.nhscareers.nhs.uk/explore-by-career/nursing/pay-for-nurses>
6. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/298788/PNB_Circular_changes_to_constables_serjeants_pay_scales.pdf
7. http://www.education.gov.uk/get-into-teaching/salary/pay-and-benefits.aspx?sc_lang=en-GB
8. <http://yougov.co.uk/news/2012/05/30/britains-jubilee-blues>
9. <http://republic.org.uk/what-we-want/monarchy-myth-buster/its-good-tourism>
10. <http://www.thecrownestate.co.uk/about-us/>

Join Republic

republic.org.uk/join

Republic gets results. By becoming a member you can ensure Republic continues to grow, keeps getting the issues raised in the media and keeps building a stronger movement.

By joining the thousands of ordinary people around the country who have become members over the past year you will strengthen the movement and help us deliver even better results in the future.

