

# SOVEREIGN GRANT ACT 2011

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## EXPLANATORY NOTES

### COMMENTARY ON SECTIONS AND SCHEDULES

#### *The Sovereign Grant*

#### *Section 6: Determination of the amount of Sovereign Grant*

60. This section sets out how the standard formula for Sovereign Grant is to operate.
61. There are five steps to be followed. They are set out in *subsection (1)*.
- Step 1* specifies the essential calculation:
- The starting point is 15% of the income account net surplus for the Crown Estate for the “base year”.
- The base year is defined in the step as the financial year two years before the year for which the grant is being set.
- Step 2* rounds this amount up to the nearest £100,000.
- Step 3* specifies an amount which is the greater of the Step 2 amount and the amount of the Sovereign Grant for the year before the year for which the grant is being set.
- Step 4* applies only if the value of the Reserve Fund at the end of the base year is more than half of the net relevant resources used for that year. If this happens, the Royal Trustees may reduce the Step 3 amount by such amount as they consider appropriate - see the commentary on *subsection (4)* below.
- Step 5* provides that the amount of Sovereign Grant is the Step 3 amount, or if Step 4 applies, the Step 3 amount reduced by any reduction made under Step 4.
62. The amounts of the Sovereign Grant will depend on Crown Estate profit from two years before so that the calculation can be made at the time the grant is set. The Treasury Estimate for a given year is drawn up and laid in Parliament shortly before the year in question. By that stage the most recent audited accounts for both the Crown Estate and the Royal Household will be for the previous year, ie two years before the year for which the new Estimate prescribes the grant.
63. *Subsection (2)* provides that the adjusted value of the Reserve Fund at the end of the financial year means the value of that fund at the end of that year, taking into account any post-year adjustments. *Subsection (3)* provides that post-year adjustments that are already reflected in the audited accounts of the Reserve Fund are not counted twice as part of calculating the adjusted value.
64. *Subsection (4)* applies if the Royal Trustees have the power to reduce future Sovereign Grant under Step 4. The reduction they make should be made on the basis that with the reduction the Reserve Fund, at the end of the year, will stand at about half of the net relevant resources used in that year.