SOVEREIGN GRANT BILL

EXPLANATORY NOTES

What these notes do

These Explanatory Notes relate to the Sovereign Grant Bill as brought from the House of Commons on 15 September 2026 (HL Bill 54).

- These Explanatory Notes have been prepared by HM Treasury in order to assist the reader in understanding the Bill. They do not form part of the Bill and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Bill will mean in practice; provide background information on the development of policy; and provide additional information on how the Bill will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Bill. They are not, and are not intended to be, a comprehensive description of the Bill.

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Overview of the Bill

1 This Bill makes provision to amend the Sovereign Grant Act 2011 ("2011 Act") to enable the annual Grant amount to be set at an appropriate level in both 2027-28 and beyond.

Policy background

2 Since 1760, each successive monarch has surrendered the hereditary revenues of the Crown in return for financial support from Parliament, which is currently paid from the Consolidated Fund.[1]

3 Prior to the passing of the 2011 Act, this funding was provided for via four separate grants.

4 The 2011 Act streamlined this system by creating a unified 'Sovereign Grant' ('the Grant') providing funding for the Royal Household in support of the Sovereign's official duties.

5 Under the formula set out in the 2011 Act, the Grant is normally set each year at the higher of a specified percentage of the Crown Estate's revenue account profit from two financial years earlier, or the previous year's Grant (the "flat cash mechanism"). This ensures the Royal Household has sufficient certainty of its longer-term funding so that it can meet its ongoing financial commitments. However, it also prevents the Grant from being readily reduced when there is a planned and significant reduction in the Royal Household's funding requirements.

6 In 2016, the Grant was increased to fund a phased ten-year reservicing programme of works to Buckingham Palace's infrastructure. It was judged that, as elements of the Palace's plumbing, electrical cabling and heating had not been updated since shortly after the Second World War, the building's infrastructure was in urgent need of major overhaul to avoid the very real danger of catastrophic failure leading to fire or flood.

7 At that time, recognising the constraints of the flat cash mechanism, the then Government confirmed the intention to bring forward legislation to reset the level of the Grant once the reservicing works had been completed. During parliamentary debates on the Crown Estate Act 2025, the current Government similarly committed to resetting the Grant to a lower level once the reservicing funding had been provided.

8 As the final tranche of funding for Buckingham Palace reservicing is being provided in 2026-27, this Bill resets the Grant amount for the financial year 2027-28 to an appropriate level. This Grant amount is in line with the conclusions of the June 2026 Report of the Royal Trustees (a body corporate established by section 10 of the Civil List Act 1952, whose members comprise the Prime Minister, the Chancellor of the Exchequer and the Keeper of the Privy Purse).

9 This Bill also amends the percentage of the Crown Estate's revenue account profit used in the formula set out in section 6 of the 2011 Act to determine the amount of the Grant. This new percentage is also in line with the conclusions of the June 2026 Report of the Royal Trustees and will be used in the calculation of the Grant for 2028-29 onwards. This provision replaces the need to otherwise amend this percentage by statutory instrument, as would be required by section 8 of the 2011 Act.

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[1] The Consolidated Fund is the Government's central bank account, established in 1787 to manage public revenue. It acts as a single account into which most tax revenues and profits flow and from which government expenditure is drawn. It is the primary vehicle for funding public services and national debt.

10 In addition, this Bill grants the Treasury powers to make regulations to adjust the amount of the Grant in future financial years in limited circumstances to ensure the Grant remains appropriate.

Legal background

11 The Bill makes provision to amend the 2011 Act. The 2011 Act will continue to be the main legislation governing the Grant.

Territorial extent and application

12 The Bill extends to England and Wales, Scotland and Northern Ireland.

13 The Bill concerns the funding of the Royal Household through the Grant, which is administered by HM Treasury. The matters to which the Bill relate are not within the legislative competence of the Scottish Parliament, Senedd Cymru or the Northern Ireland Assembly.

14 The provisions of the Bill do not affect the management of Crown Estate property that has been devolved, including property managed by Crown Estate Scotland, and do not engage the legislative competence of the devolved legislatures.

15 See the Table in Annex A for a summary of the position regarding territorial extent and application of the Bill in the United Kingdom.

Commentary on provisions of Bill

Clause 1: Amount of Sovereign Grant for the financial year 2027-28

16 Clause 1 substitutes a new section 1(3) of the 2011 Act to make provision for the amount of the Grant for the 2027-28 financial year.

17 The amount of the Grant for the financial year 2027–28 is £99.9m. The effect is that, for that year only, the amount of the Grant is fixed by primary legislation rather than determined under the calculation set out in section 6 of the 2011 Act. This disapplies the flat cash mechanism for 2027–28 and allows the Grant to be set at a lower level than the amount payable in the preceding financial year.

18 The purpose of setting the amount for 2027–28 in this way is to reset the level of the Grant following the completion of the Buckingham Palace reservicing programme, which was funded through a temporary increase in the Grant over a ten-year period.

19 By establishing a new cash amount for 2027–28, this provision also has the effect of setting a new baseline for subsequent years under section 6(1), step 3, of the 2011 Act, which compares the calculated amount of the Grant with the amount payable in the previous year.

20 Clause 1 also disapplies the duty of the Royal Trustees under section 5(1) of the 2011 Act to prepare a report stating their determination of the amount of the Grant for the financial year 2027-28, and any duty of the Royal Trustees or the Treasury arising out of the preparation of such a report.

Clause 2: Determination of subsequent amounts of Sovereign Grant by Royal Trustees

21 Clause 2 substitutes a new percentage into step 1 of section 6(1) of the 2011 Act, which sets out the steps for determining the amount of the Grant for a financial year. The new percentage, 20.5%, is the percentage of the income account net surplus of the Crown Estate to be used in the calculation of the Grant. In their June 2026 Report, the Royal Trustees concluded 20.5% was an appropriate percentage, based on an assessment of the Royal Household's expected costs and the Crown Estate's expected revenues between 2027-28 and 2031-32.

22 The effect is that the new percentage for future years is instead set by the Bill itself, rather than through the ordinary statutory review mechanism. The Grant amount of £99.9 million for 2027-28 specified in Clause 1 equates to 20.5% of the Crown Estate's revenue account profit for 2025-26.

23 Following this amendment, and subject to any use of the powers inserted by Clause 3, the Royal Trustees will therefore continue to determine the Grant for subsequent years under section 6 of the 2011 Act, but using the revised percentage specified by this clause.

24 Clause 2(2) also disapplies the duty of the Royal Trustees under section 7(1) of the 2011 Act to carry out the review due after the review period ending with 31 March 2026, together with any related duties of the Royal Trustees or the Treasury arising from such a review.

Clause 3: Specification of subsequent amounts of Sovereign Grant by Treasury

25 Any Grant unused in a given year goes into a Reserve Fund. The provides a contingency to supplement the Grant in years where expenditure exceeds annual funding.

26 The formula to be used to determine the amount of Grant in Section 6(1) of the 2011 Act only permits the Grant to be set below the previous year's Grant if the value of the Reserve Fund has exceeded 50% of net Grant expenditure.

27 Clause 3 amends the 2011 Act to introduce a new duty and a new power for the Treasury to set or adjust the level of the Grant in specific circumstances, supported by a number of consequential and clarifying amendments elsewhere in the Act. These include making clear that the main provision determining the Grant is subject to the new mechanisms, requiring additional reporting where they are used, updating cross-references and definitions, and renaming certain headings to ensure the new provisions operate consistently.

28 The new duty (section 6A) applies where the usual calculation of the Grant would, if followed, push the Reserve Fund outside its intended range—below 10% or above 50% of annual spending—and where the Fund was not already above the 50% level at the starting point. This will provide more flexibility to reduce the Grant to prevent the Reserve Fund growing to an excessive level in the first place, as well as to prevent the Household's contingency budget becoming what may be too low to provide an adequate buffer.

29 In these circumstances, the Royal Trustees must set out the position in the annual report, state whether the calculated amount is appropriate, and, if not, identify the amount they consider appropriate to bring the Reserve Fund back within a sustainable range. The Treasury is then required to implement that amount by regulations. Regulations under this Clause are subject to different parliamentary procedures depending on whether they increase or decrease the Grant.

30 The new power (section 6B) allows the Treasury to increase the Grant during a financial year if exceptional circumstances arise that cannot be addressed through the normal calculation or the annual reporting process. Before using this power, the Treasury must consult the Royal Trustees. This is intended as a limited, emergency-type power, confined to increases and to the current financial year, and is subject to the affirmative procedure in the House of Commons.

Clause 4: Commencement and short title

31 Clause 4 makes provision for commencement and short title. Sections 1(2) and 2(2), together with clause 4 itself, come into force on the day on which the Act is passed. The remaining provisions come into force on 1 April 2027. The effect is to ensure that the disapplied duties under the 2011 Act do not arise, while the substantive changes to the amount-setting framework take effect from the start of the 2027–28 financial year. The Act may be cited as the Sovereign Grant Act 2026.

Commencement

32 Clause 4 sets out the manner in which provisions in the Bill will be commenced (see paragraph 31 above).

Financial implications of the Bill

33 The income of the Crown Estate is paid into the Consolidated Fund and forms part of the general revenues received by Parliament. The Grant is paid by the Treasury out of money provided by Parliament and is authorised through annual Supply Estimates.

34 The Bill provides for the Grant to be reset for the financial year 2027–28 and amends the framework for determining the Grant in subsequent financial years. The reset provided for by the Bill is expected to result in a lower level of expenditure from the Consolidated Fund than would otherwise arise under the existing legislative framework. Over time, this will mean that a greater proportion of Crown Estate income remains available for general government expenditure.

35 The Bill does not give rise to any expenditure from the National Loans Fund and is not expected to result in significant additional administrative costs for government departments or other public bodies.

Parliamentary approval for financial costs or for charges imposed

36 The Bill was brought in on a resolution. The Bill gives rise to new charges on the public revenue and confers powers that could give rise to a potential increase in an existing charge. The money resolution passed on 14 September 2026 and continues to apply to the Bill.

37 The Bill makes provision for the amount of the Grant to be specified for the financial year 2027–28 and for subsequent amounts of the Grant to be determined under an amended statutory framework. The Grant is paid by the Treasury out of money provided by Parliament and authorised through annual Supply Estimates.

38 The Bill also confers a power on the Treasury to specify the amount of the Grant for a financial year by regulations in defined circumstances. The exercise of that power could result in an increase in the amount of the Grant payable in a particular year and therefore in additional expenditure out of money provided by Parliament.

Compatibility with the European Convention on Human Rights

39 The Government considers that the Bill is compatible with the European Convention on Human Rights ("ECHR"). Accordingly, Lord Pitt-Watson, Parliamentary Secretary at HM Treasury, proposes to make a statement under section 19(1)(a) of the Human Rights Act 1998 to this effect.

40 Article 1 Protocol 1 to the ECHR("A1P1") guarantees the right to peaceful enjoyment of possessions. It prohibits deprivation of possessions except in the public interest and subject to conditions provided by law and the general principles of international law. Furthermore, it recognises the State's right to control the use of property.

41 The payment of the Grant is a payment in recognition of the monarch's official duties. It is considered that provisions of the Bill are either not covered by the ECHR or would be consistent with it, as it is considered that in the capacity of the monarch's official duties the Crown has a governmental character so that the King and members of the Royal Household would not be able to rely on Convention rights in the exercise of their official duties.

42 Alternatively, the payment of the Grant is considered to fall outside the protection of Article 1, Protocol 1 because that provision does not include a right to acquire property for which there is no current entitlement or right that would be assertable under domestic law (Stec v United Kingdom (2005). Further, if it was necessary to justify any deprivation or interference with property, it is considered that it would be capable of being justified as provided for by law, in the public interest and proportionate. There is a broad public interest in ensuring that the Grant does not remain at an artificially high level following temporary increases.

Related documents

43 The following documents are relevant to the Bill and can be read at the stated locations:

- Report of the Royal Trustees on the Sovereign Grant Review 2026: Report of the Royal Trustees on the Sovereign Grant Review 2026 - GOV.UK

Annex A – Territorial extent and application in the United Kingdom

Provision	England	Wales		Scotland		Northern Ireland	
	Extends to E & W and applies to England?	**Extends to E & W and applies to Wales?**	**Legislative Consent Motion process engaged?**	**Extends and applies to Scotland?**	**Legislative Consent Motion process engaged?**	**Extends and applies to Northern Ireland?**	**Legislative Consent Motion process engaged?**
Clause 1	Yes	Yes	No	Yes	No	Yes	No
Clause 2	Yes	Yes	No	Yes	No	Yes	No
Clause 3	Yes	Yes	No	Yes	No	Yes	No
Clause 4	Yes	Yes	No	Yes	No	Yes	No

Subject matter and legislative competence of devolved legislatures

44 The subject matter of the Bill relates to the funding of the Royal Household and the calculation of the Grant, which is financed from the profits of the Crown Estate and paid out of the UK Consolidated Fund.

45 These matters do not fall within the legislative competence of the Scottish Parliament, Senedd Cymru, or the Northern Ireland Assembly. In particular, the Bill does not make provision in relation to devolved public services, devolved taxation, or devolved spending responsibilities.

46 Accordingly, no legislative consent motion is required in relation to this Bill.

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Ordered by the House of Lords to be printed 15 September 2026

PUBLISHED BY AUTHORITY OF THE HOUSE OF LORDS