HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Lord Berkeley
House of Lords
London
SWA1 0PW

4 November 2024

Dear Lord Berkeley,

As promised during the Committee Stage of the Crown Estate Bill, I am writing to respond to the various questions you raised in relation to the Duchies of Lancaster and Cornwall.

As you are aware, both Duchies are private estates, held in trust. The Duchy of Lancaster provides the reigning Monarch with a source of income that is independent of Government and the public purse. The Duchy of Cornwall similarly provides an income for the present and future Dukes of Cornwall, again independent of both the Crown and public support. Neither Duchy manages public money.

For both Duchies, as with the Crown Estate, there are requirements to distinguish between revenue income and capital income. The Monarch and the Duke of Cornwall are only entitled to receive revenue - such as rental income – from the two respective Duchies. Capital income from each estate - such as from the sale of land - is preserved to provide income for future Sovereigns and Dukes.

The administration of the Duchy of Lancaster is the responsibility of the Chancellor of the Duchy of Lancaster, who may be called to Parliament to answer questions on the Duchy. Since July 2000, each Chancellor of the Duchy of Lancaster has elected to revocably delegate all day-to-day administration of the estate to the Duchy Council, except for specific powers relating to appointments.

The Dukes of Cornwall have traditionally managed the Duchy of Cornwall, and the current Duke of Cornwall continues this custom. As part of this, I am told he chairs The Prince’s Council, a largely non-executive body which provides advice to the Duke with regard to the management of the Duchy.

In addition, there is a statutory requirement for Treasury authorisation in relation to certain transactions of the Duchy of Cornwall to ensure that the long-term value of the estate is not compromised. Specifically, the Duchy is required to obtain approval from

the Treasury for capital transactions above a set value, which is currently set at £500,000. A list of such approvals is included in the Duchy's accounts each year.

However, as the Duchy of Cornwall is a private estate and does not manage public money, the Treasury's oversight is limited to what I have set out above, as defined by statute. The Treasury does not determine, and nor does it authorise, the Duchy's strategic approach.

The Duchies of Lancaster and Cornwall are therefore unaffected by the Crown Estate Bill, as their governance is set out under separate arrangements. And while each of the Duchies own coastal foreshore, around the North West and South West of England respectively, they do not own any seabed – that is, anything beyond the low water limit – which is instead owned by The Crown Estate.

You also asked about the arrangements for the two Duchies accounts, and how these compare with those for the Crown Estate.

Under the Duchies of Lancaster and Cornwall (Accounts) Act 1838, the accounts of both estates are laid before Parliament. This is facilitated by HM Treasury. The Treasury issues accounts directions to both Duchies, which stipulate the format and accounting standards for the accounts and a minister is required to lay both signed accounts before Parliament. As neither the Duchy of Lancaster nor the Duchy of Cornwall are funded by public money, they are not audited by the National Audit Office.

Section 2(3) to (6) of the Crown Estate Act 1961 contains requirements for the Crown Estate to produce accounts. These requirements are as follows.

- The Commissioners must keep proper accounts, distinguish between capital and income in those accounts and prepare for each financial year annual accounts in such form as the Treasury may direct.
- The annual accounts must be sent to the Comptroller and Auditor-General not later than the end of November in the following financial year.
- The Comptroller and Auditor-General must examine and certify the annual accounts and lay copies of them before each House of Parliament together with their report on the accounts.

The main substantive difference between the accounts requirements placed on the Crown Estate and those placed on both Duchies is therefore that in the case of the Crown Estate, the audit must be performed by the National Audit Office, reflecting its status as a public corporation.

Otherwise, there is little material difference between the two sets of requirements. Uniquely amongst the three bodies, the 1838 Act requires the Duchy of Cornwall's accounts to be laid in Parliament by the end of June each year. However, it is common practice for the accounts of the two Duchies, the Crown Estate, as well as those relating to the Sovereign Grant to all be laid in Parliament before summer recess.

As far as I am aware, Parliament has not chosen to have a debate on any of these accounts in recent years. The Public Accounts Committee (PAC) do sometimes choose to hold hearings on the annual accounts and reports of specific bodies, as well as hold inquiries on specific topics. In relation to the Duchies, the PAC most recently held an inquiry into the Duchy of Cornwall in 2013. The areas the PAC chooses to investigate is a matter for them, and not the government.

Finally, you asked about the approach of the Crown Estate and the Duchies in relation to leasehold reform.

Crown bodies – which includes the Crown Estate and the two Duchies - are not bound by the enfranchisement legislation. However, during the passage of each iteration of the enfranchisement legislation through Parliament, an undertaking has been given to Parliament that Crown bodies would comply "by analogy" with the legislation.

The parliamentary undertaking distinguishes between properties in areas known as Non-Excepted Areas and Excepted Areas. The process for properties in Non-Excepted Areas is the same as under the enfranchisement legislation.

For Excepted Area properties, the Crown is not obliged to transfer the freehold reversion. The categories of properties in Excepted Areas are set out in the parliamentary undertaking. They include properties, or the areas in which they are situated, which have a long historic or particular association with the Crown. As you are aware, in the case of the Duchy of Cornwall, this includes properties in the Isles of Scilly.

The undertaking for in respect of the Leasehold and Freehold Reform Act 2024 (LAFRA) was made at Third Reading in the House of Lords by Baroness Williams of Trafford, on Friday 24 May 2024. At the current time, only limited provisions of LAFRA are in force. As such, the undertaking given during the passage of the Commonhold and Leasehold Reform Act 2002 through Parliament remains relevant. As the provisions of LAFRA are brought into force, the various Crown bodies' published policies will be updated to reflect this.

I hope that this letter has answered your questions in respect of these matters. This letter has been copied to all those who made contributions at Committee Stage, and a copy has been placed in the library.

Yours sincerely,

Lord Livermore

FINANCIAL SECRETARY TO THE TREASURY