
Returning Officers' Expenses England and Wales

Statement of Accounts
2015-16

Returning Officers' Expenses England and Wales

Statement of Accounts 2015-16

(For the year ended 31 March 2016)

*Accounts presented to the House of Commons pursuant to Section 7 (3) (c) of the Government Resources
and Accounts Act 2000*

*Ordered by the House of Commons to be printed on
20 July 2016*



© Crown copyright 2016

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at pscormrespondence@cabinetoffice.gov.uk

Print ISBN 9781474135337

Web ISBN 9781474135344

ID 29061601 07/16 56458

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

Contents	Page
PERFORMANCE REPORT	
Foreword	6
Spending Summary	6
ACCOUNTABILITY REPORT	
Governance Report	10
Parliamentary Accountability and Audit Report	14
FINANCIAL STATEMENTS	
Statement of Accounts	18
Notes to the Statement of Accounts	22

This page is intentionally left blank.

PERFORMANCE REPORT

Foreword

The Cabinet Office supports the Prime Minister and Cabinet, and ensures the effective running of government. The Minister for Constitutional Reform has responsibility for electoral policy. As a result, the responsibility for setting and reimbursing the fees and expenses of Returning Officers at Parliamentary elections in England and Wales rests with the Cabinet Office Elections Division.

Returning Officers for UK Parliamentary elections are appointed by statute and whilst acting in that capacity do so independently of both the local authority that employs them and central Government. In practice, this means that Returning Officers take on considerable responsibility in administering elections and are legally accountable for their actions and decisions.

Returning Officers are entitled to recover specified amounts from HM Treasury's Consolidated Fund for their services and the expenses they incur in conducting UK and European Parliamentary elections in their respective voting areas. Returning Officers are personally responsible for all of the expenditure incurred in running these polls and must ensure that their claims for costs are complete, legitimate, properly presented, submitted on time and auditable.

This Statement of Accounts reflects expenditure incurred in running the following Parliamentary elections that were held in England and Wales during the financial year:

- UK Parliamentary election on 7 May 2015; and
- Oldham West and Royton Parliamentary by-election on 3 December 2015.

The responsibility for accounting for Returning Officers' expenditure in Northern Ireland and Scotland rests with the Northern Ireland Office and the Scotland Office respectively. These accounts do not cover the costs of local elections, which are funded by local authorities from the monies they receive from the Government's Revenue Support Grant (provided through the Department for Communities and Local Government).

A detailed account of the strategic risks and our mitigation strategy can be found in the Governance Statement.

Spending Summary

	Date of the Poll	Conduct of the Poll	Royal Mail	Total expenditure
		£	£	£
2015 UK Parliamentary election in England and Wales	7 May 2015			
Recorded in 2015-16 Statement of Accounts		61,492,504 ¹	37,352,653	98,845,157
2014 European Parliamentary election in England and Wales	22 May 2014			
Recorded in 2014-15 Statement of Accounts		59,299,657 ²	36,458,943	95,758,600
Recorded in 2015-16 Statement of Accounts		(676,838)	-	(676,838)
		58,622,819	36,458,943	95,081,762
UK Parliamentary by-elections in England and Wales				
Oldham West and Royton	3 December 2015	135,948	87,989	223,937

¹Includes bank charges of £1,199.

²Includes bank charges of £846.

2015 UK Parliamentary election

The UK Parliamentary election on 7 May 2015 was run in England and Wales on the basis of two statutory instruments: The Parliamentary Elections (Returning Officers' Charges) Order 2015 and The Parliamentary Elections (Returning Officers' Accounts) Regulations 2015. Across England and Wales, there were 573 Returning Officers and each constituency had an average electorate size of 69,839. The UK-wide turnout for the election was 62.2%.

The current estimated cost of the 2015 UK Parliamentary election in England and Wales is £98,845,157. £61,492,504 relates to the conduct of the poll, which includes the cost of polling stations, postal voting and arranging counts. This figure will be revised and finalised once all Returning Officer expense claims from the poll have been settled. The remaining £37,352,653 represents the actual cost of delivering candidate election addresses (or 'mailings'), which is the other significant expenditure provided for in legislation. A deadline of six months from the declaration of the result was set for Returning Officers to submit their claims for the 2015 general election. As at 31 March 2016, all 573 claims for England and Wales had been received. Of these, 287 had been settled. As outlined in Note 5 to the Accounts, £31,925,032 has been accrued for the 286 claims that remain unsettled.

2014 European Parliamentary election

At the end of the 2014-15 financial year, all 359 Returning Officer claims for the 2014 European Parliamentary election had been received and 140 had been settled. Processing of these claims continued throughout 2015-16 and, as at 31 March 2016, 306 claims had been settled. As outlined in Note 5 to the Accounts, £10,661,577 has been accrued for the 53 claims that remain unsettled. An amount of £676,838 has been written back because some expense claims that have been received or settled during 2015-16 are for a lesser amount than was accrued at 31 March 2015.

UK Parliamentary by-elections

The only UK Parliamentary by-election in the year took place in Oldham West and Royton on 3 December 2015. The turnout was 40.3%. This by-election was run on the basis of the legislation and guidance put in place for the UK Parliamentary election in 2015, which means that the Returning Officer has six months to submit their claim. As at 31 March 2016, the claim for this by-election had not been received by the Election Claims Unit. £750,000 was drawn down from the Consolidated Fund during the 2014-15 financial year to fund by-elections. The cost of this by-election will be met by the unutilised balance of this amount.

At the end of the 2014-15 financial year, a claim had been received in respect of the Wythenshawe and Sale East by-election, but it had not been settled. The Election Claims Unit were also awaiting claims in respect of the Clacton, Heywood and Middleton and Rochester and Strood by-elections. These claims were received from Returning Officers during the 2015-16 financial year and the Wythenshawe and Sale East and Clacton claims were settled. As outlined in Note 5 to the Accounts, £445,026 has been accrued for the three by-elections that remain unsettled (Heywood and Middleton, Rochester and Strood and Oldham West and Royton).

Deposits and Insurance

Candidates who stand in a UK or European Parliamentary election are required to pay a deposit. In the case of a UK Parliamentary election or by-election, candidates are required to pay a deposit of £500 and will only have it returned if they poll more than 5% of the total valid votes cast in the constituency in which they stand. A deposit of £5,000 is required to stand in a European Parliamentary election, and it will only be returned if the candidate polls more than 2.5% of the total number of valid votes cast in the electoral region in which they stand. Returning Officers are obliged to surrender forfeited deposits to the Consolidated Fund within 24 hours of the result being declared. £678,000 of forfeited deposits were surrendered to the Consolidated Fund during the 2015-16 financial year. A breakdown of these deposits is provided in the Parliamentary Accountability and Audit Report. Returning Officers insure themselves against any risks they face in performing their statutory duties and the Cabinet Office indemnifies them for amounts not covered by their insurance. More detail about this can be found in the Parliamentary Accountability and Audit Report.



John Manzoni
Chief Executive of the Civil Service,
Permanent Secretary for the Cabinet Office and
Principal Accounting Officer

12 July 2016

This page is intentionally left blank.

ACCOUNTABILITY REPORT

Governance Report

Director's Report

The legislative framework

Primary legislation

Under section 29 of the Representation of the People Act 1983, as amended by the Representation of the People Act 1991 and the Electoral Administration Act 2006, a Returning Officer at a UK Parliamentary election is entitled to recover charges in respect of his or her services and expenses. There are similar provisions for European Parliamentary elections in regulation 15 of the European Parliamentary Elections Regulations 2004, as amended by the European Parliamentary Elections (Amendment) Regulations 2009. This legislation requires Returning Officers' expenses to be met directly from HM Treasury's Consolidated Fund.

Charges orders

The maximum recoverable amounts that Returning Officers can claim for their fees and expenses in relation to the 2015 Parliamentary election (and any subsequent by-elections) and the 2014 European Parliamentary election are set out in the following statutory instruments:

SI No.	Name	Effective from
SI 2014 No. 325	The European Parliamentary Elections (Returning Officers' and Local Returning Officers' Charges) (Great Britain and Gibraltar) Order 2014	14 February 2014
SI 2015 No. 476	The Parliamentary Elections (Returning Officers' Charges) Order 2015	27 February 2015

In addition to setting the maximum recoverable amounts, these Charges Orders specify the types of expenses that Returning Officers can claim, such as printing of ballot papers and undertaking the count process. Expenditure that Returning Officers incur must be necessary and reasonable for the effective conduct of the poll.

Accounts regulations

The accounts regulations issued for the 2015 UK Parliamentary election and 2014 European Parliamentary election required Returning Officers to submit statements of account within six months of the date on which the result of the election was announced. Where necessary, the regulations allow for a Returning Officer to submit an incomplete account and to then agree a date of delivery for the final account with the Cabinet Office. The relevant regulations are as follows:

Name	Effective From
The European Parliamentary Elections (Returning Officers' and Local Returning Officers' Accounts) (Great Britain and Gibraltar) Regulations 2014	February 2014
The Parliamentary Elections (Returning Officers' Accounts) Regulations 2015	February 2015

Candidates' mailings

Under section 91 of the Representation of the People Act 1983 and regulation 63 of The European Parliamentary Elections Regulations 2004, candidates at UK and European Parliamentary elections are entitled to have one election address (often called 'mailings', essentially a paper leaflet) delivered at public expense to each elector or household within the voting area. The main purpose of allowing candidates to deliver one communication free of charge is to inform the electorate of the policies of standing candidates and/or parties and to help them to make informed choices when casting their vote. As the universal service provider, Royal Mail delivers these mailings and is reimbursed from the Consolidated Fund in accordance with legislation and the terms of a Service Level Agreement with the Cabinet Office.

Funding mechanism

Returning Officers' expenses

In advance of UK and European Parliamentary elections, the Cabinet Office estimates the likely costs that each Returning Officer will incur. This is based on each Returning Officer's approved expenditure from the last relevant poll, which is then adjusted to take account of changes to the electorate size, number of postal voters and inflation. The Cabinet Office agrees the projected costs with HM Treasury so that funds can be made available from the Consolidated Fund once the Charges Order is made by the Secretary of State.

Prior to the election, the Cabinet Office pays an initial advance to each Returning Officer of up to 75% of the estimated cost of running the poll in his or her voting area. Returning Officers can subsequently request further payments, for instance to cover invoices that need to be paid urgently, up to a maximum of 90%.

Following the election, Returning Officers are required to submit a statement of accounts showing the actual costs incurred in running the poll. Should an advance exceed the total costs incurred, the Returning Officer must return the excess monies. Where the total costs incurred are greater than the advance, the Cabinet Office pays the Returning Officer the balance. In exceptional cases where the total cost of a claim exceeds the maximum recoverable amount, the Cabinet Office has the discretion to pay the additional expenses if the Returning Officer can provide evidence that the expenditure was necessary and reasonable for the effective and efficient conduct of the poll.

Candidates' mailings

Agreement is also reached with HM Treasury on the estimated cost of delivering candidates' mailings for UK and European Parliamentary elections. This is set out in a service level agreement between the Cabinet Office and Royal Mail.

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Cabinet Office to prepare for each financial year, a statement of accounts in respect of the Returning Officers' Expenses England and Wales in the form and on the basis set out in the Accounts Direction which they have provided.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Returning Officers' Expenses England and Wales at 31 March 2016 and of their income and expenditure, changes in taxpayers' equity and cash flows for the financial year. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Permanent Secretary of the Cabinet Office as Accounting Officer for Returning Officers' Expenses England and Wales. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets related to the Returning Officers' Expenses England and Wales, are set out in *Managing Public Money*, published by HM Treasury.

Statement on the disclosure of relevant audit information

The Returning Officers' Expenses England and Wales Statement of Accounts has been prepared on a statutory basis in accordance with the requirements of HM Treasury and is designed to comply with the Accounts Direction issued by HM Treasury under section 7(2) of the Government Resources and Accounts Act 2000.

The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination. Auditors' remuneration and expenses have been included in the amount reported in the Cabinet Office Annual Report and Accounts 2015-16 (HC 320). During the reporting year, no payment was made to the auditors for non-audit work (2014-15: £nil).

I hereby confirm that so far as I am aware, there is no relevant audit information of which the auditors are unaware and that I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to establish that the auditors are aware of that information. I hereby confirm that the statement of accounts as a whole are fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.

Governance Statement

Introduction

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

A system of internal control operates within the Cabinet Office, including within its Elections Division, that accords with HM Treasury guidance. During the 2015-16 financial year, the Finance Shared Services Division of the Department for Communities and Local Government (DCLG) managed the day-to-day administration involved in processing and accounting for expense claims received from Returning Officers in England and Wales on behalf of the Cabinet Office. The Cabinet Office Elections Division had delegated responsibility for managing the performance and compliance of DCLG against the Service Level Agreement (SLA) that governed its provision of financial services to the Department. The newly formed Cabinet Office Elections Claims Unit and Shared Services Connected Ltd (the Cabinet Office's shared services provider) assumed the responsibility from DCLG for processing and accounting for expense claims received from Returning Officer in England and Wales from 1 April 2016.

Risk management

The key risks relate to Cabinet Office and DCLG processes, late submission of claims by Returning Officers and regularity, propriety and value for money.

Risk management in the Cabinet Office

As Accounting Officer, I acknowledge my overall responsibility for the effective management of risk throughout the Department. The Cabinet Office Audit and Risk Committee (COARC) continued to provide the Cabinet Office Board with an independent view about the robustness of the Department's risk control and corporate governance arrangements. Further details on the Department's capacity to handle risk are set out in the Governance Statement contained in the Cabinet Office Annual Report and Accounts 2015-16 (HC 320), which can be found on the Cabinet Office website.

Risk management in the Finance Shared Services Division of DCLG

The Cabinet Office received administrative and accounting services from the Election Claims Unit of DCLG under a shared services arrangement. DCLG provided an annual letter of assurance which confirmed that risks were reviewed regularly and that appropriate systems of internal control were applied to ensure the integrity of the data which DCLG processed on behalf of the Cabinet Office. The letter of assurance for 2015-16 states that: "My review is informed by internal and external audit opinion and by other ad hoc reviews (both internal and external). No issues have been raised by the Audit and Risk Committee in relation to these services".

Risk of late submission of claims by Returning Officers

Returning Officers were given six months from the date of the poll in which to submit their expenses claims for the 2014 European Parliamentary election and 2015 UK Parliamentary election, and this timescale also applies to subsequent by-elections. This statutory deadline for UK Parliamentary elections is set out in The Parliamentary Elections (Returning Officers' Accounts) Regulations 2015, and reflects a deliberate policy decision by the Cabinet Office to reduce the submission period from 12 months in 2010 to six months in 2014.

This reduction has a number of advantages. It ensures a gap between the submission of Returning Officers' claims and the next set of elections, and strengthens the Cabinet Office's ability to apply pressure on any Returning Officers who do not submit their claims on time. The Cabinet Office also asks Returning Officers to make a signed declaration prior to the poll. This confirms that the Cabinet Office may impose sanctions if Returning Officers do not submit their claims within the statutory deadline; this could include immediately paying back the advances received prior to the poll and/or the provision of lower advances for future elections.

Risks to regularity, propriety and value for money

Officials within the Cabinet Office Elections Division provide rigorous oversight of the assessment of claims and make any policy decisions that are required. In 2015-16, DCLG's Elections Claims Unit was required to refer all claims to the Cabinet Office where there was either an overall overspend, an overspend on particular elements of the poll or in circumstances where novel or unusual expenditure was identified.

Upon the receipt of any such claims, the Cabinet Office took forward additional work with Returning Officers to explore the rationale for the overspend and/or anomalous expenses, and to seek evidence of their value for money judgments when committing funds. Where Returning Officers provided evidence that the expenditure was reasonable and necessary for the effective conduct of the poll, the Cabinet Office instructed the Elections Claims Unit to settle the claim. In other instances, the Department reduced the amount paid to Returning Officers. Whilst many Returning Officers and their teams have found this onerous, the Cabinet Office Elections Division remains keen to ensure that there is appropriate scrutiny and challenge. This helps to regulate the process and to make sure that the amounts spent by Returning Officers are in accordance with the purposes intended by Parliament.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of internal auditors, the statement of assurance from DCLG, an assurance statement from the Cabinet Office Constitution Group and the comments made by the external auditors in their management letter and other reports.

Work of internal audit

An internal audit review designed to provide the Cabinet Office Accounting Officer with an independent and objective opinion on the governance, risk management and control arrangements covering election administration processes, with a particular focus on elections funding, began in July 2015. The outcome of this review was split into two parts. An assessment of "yellow" was given for the funding process (i.e. some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control). In relation to the transfer of responsibility for processing payments to Returning Officers and scrutinising expenses claims from the DCLG to the Cabinet Office, the audit assessment was "amber" (i.e. significant weaknesses). The report made a series of recommendations to rectify these deficiencies, the majority of which have either been implemented in establishing the Cabinet Office's Elections Claims Unit on 1 April 2016 or will be taken forward as part of the funding review (see below). This includes taking steps to ensure that the delay in settling some claims from the 2014 European Parliamentary election is not repeated for subsequent polls.

Additional measures

Further measures to improve the funding and accounting arrangements concern the payment of advances and the Cabinet Office's elections funding review.

Advances

Applications for further advances (beyond 75% of the maximum recoverable amount shown in the Charges Order) are rare, but will continue to be denied to Returning Officers who failed to submit their expenses claim on time for the most recent election, unless there are genuinely mitigating circumstances. Applications for advances received after the date of the election will be denied without exception. Applications for advances in excess of 90% of the maximum recoverable amount will be denied, unless there are genuinely exceptional circumstances.

Funding Review

The Cabinet Office undertook a wide-ranging initial review of the elections funding model for national polls in 2013-14. This involved extensive consultation with stakeholders and led to a number of significant changes. These included the reduced deadline for Returning Officers to submit their expenses claims (see above); a new methodology for calculating funding allocations to Returning Officers; and a more flexible and proportionate approach to scrutiny. Phase II of the review, which will seek to make further improvements and enhance transparency, will begin in the second half of 2016.



John Manzoni
Chief Executive of the Civil Service,
Permanent Secretary for the Cabinet Office and
Principal Accounting Officer

12 July 2016

Parliamentary Accountability and Audit Report

Parliamentary Accountability Disclosures

(This section is subject to audit)

1. Income payable to the Consolidated Fund

	2015-16 £	2014-15 £
Forfeited deposits:		
2015 UK Parliamentary election	676,500	-
2014 European Parliamentary election	-	295,000
UK Parliamentary by-elections	1,500	12,000
Total	678,000	307,000

2. Regularity of expenditure - losses and special payments

There are no losses and special payments to report.

3. Remote contingent liabilities

The Cabinet Office has given the following indemnities whose amounts are unquantifiable and which, within the meaning of IAS 37, are not contingent liabilities, since the likelihood of a transfer of economic benefit in settlement is too remote.

Indemnity for Returning Officers at the European Parliamentary election, May 2014

The Cabinet Office provided an indemnity to Regional and Local Returning Officers for the European Parliamentary Election held on 22 May 2014 and any subsequent elections. The indemnity is to cover the costs of any claims against them which are not covered under the existing insurance policies which Regional and Local Returning Officers hold. The Department also certificated the Returning Officers under The Employers' Liability (Compulsory Insurance) Regulations 1998 in respect of any liability to their employees.

Indemnity for Returning Officers at the UK Parliamentary election, May 2015

For the purposes of UK Parliamentary elections, Returning Officers and Acting Returning Officers throughout Great Britain are statutorily independent officers. They stand separate from both central and local government. As a result, they can be exposed to a variety of legal risks varying from minor claims for injury at polling stations to significant election petitions challenging the outcome of a poll and associated legal costs. The Cabinet Office provided an indemnity to Returning Officers for the UK Parliamentary election held on 7 May 2015. The indemnity is to cover the costs of any claims against them which are not covered under the existing insurance policies which Returning Officers hold. The indemnity will cover costs arising in relation to UK Parliamentary elections including by-elections, where the date of the poll is before the next General Election in May 2020.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Returning Officers' Expenses (England and Wales) for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Parliamentary Accountability Disclosures that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Returning Officers' Expenses (England and Wales) circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Returning Officers' Expenses (England and Wales) as at 31 March 2016 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion,

- the parts of the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared are consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

14 July 2016

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2016

This account summarises the expenditure and income generated and consumed on an accruals basis.

£		2015-16	2014-15
	Note		
2015 UK Parliamentary election			
Conduct of the poll		61,491,305	-
Royal Mail delivery of candidates' mailings		37,352,653	-
	2	98,843,958	-
2014 European Parliamentary election			
Conduct of the poll		(676,838)	59,298,811
Royal Mail delivery of candidates' mailings		-	36,458,943
	2	(676,838)	95,757,754
UK Parliamentary by-elections			
Conduct of the poll		166,953	577,925
Royal Mail delivery of candidates' mailings		87,989	355,834
Accrual released to cover costs of UK by-elections		(253,477)	(183,759)
	2	1,465	750,000
Total election expenses	2	98,168,585	96,507,754
Bank charges		1,199	846
Income payable to the Consolidated Fund – Forfeited Deposits		(678,000)	(307,000)
Total comprehensive net expenditure for the year		97,491,784	96,201,600

Notes 1 to 8, which are on pages 22-28, form part of these accounts

Statement of Financial Position

as at 31 March 2016

This statement presents the financial position and comprises three main components; assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

£		2015-16	2014-15
	Note		
Current assets			
Trade and other receivables	3	30,775,805	26,328,814
Cash and cash equivalents	4	18,950,139	11,112,544
Total current assets		49,725,944	37,441,358
Current liabilities			
Trade and other payables	5	(47,893,610)	(37,441,358)
Total current liabilities		(47,893,610)	(37,441,358)
Total assets less liabilities		1,832,334	-
Taxpayers' equity			
General fund		1,832,334	-
Total equity		1,832,334	-



John Manzoni
Chief Executive of the Civil Service,
Permanent Secretary for the Cabinet Office and
Principal Accounting Officer

12 July 2016

Notes 1 to 8, which are on pages 22-28, form part of these accounts

Statement of Cash Flows

for the year ended 31 March 2016

The Statement of Cash Flows shows the changes in cash and cash equivalents during the reporting period. The statement shows how cash and cash equivalents are generated and used by classifying cash flows as operating activities. The amount of net cash flows arising from operating activities is a key indicator of the cost of the elections.

£		2015-16	2014-15
	Note		
Cash flows from operating activities			
Net operating expenditure		(97,491,784)	(96,201,600)
Increase in trade and other receivables	3	(4,446,991)	(25,663,724)
Increase in trade and other payables	5	10,452,252	35,935,912
<i>Movement in trade and other payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
Excess cash surrenderable to the Consolidated Fund	5	(4,520,896)	-
Net cash outflow from operating activities		(96,007,419)	(85,929,412)
Cash flows from financing activities			
From the Consolidated Fund (non-supply)		104,523,014	96,508,600
Net financing		104,523,014	96,508,600
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		8,515,595	10,579,188
Non-voted receipts of current year surrendered to the Consolidated Fund		(678,000)	(307,000)
Net increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	4	7,837,595	10,272,188
Cash and cash equivalents at the beginning of the period	4	11,112,544	840,356
Cash and cash equivalents at the end of the period	4	18,950,139	11,112,544

Notes 1 to 8, which are on pages 22-28, form part of these accounts

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2016

This statement shows the movement in the year on the general fund reflecting any contribution from the Consolidated Fund and non-voted receipts and excess cash surrenderable to the Consolidated Fund. It also reflects comprehensive net expenditure for the year.

£		2015-16	2014-15
	Note		
Balance at 1 April		-	-
Consolidated Fund Standing Services (non-supply)		104,523,014	96,508,600
Non-voted receipts surrendered to the Consolidated Fund		(678,000)	(307,000)
Excess cash surrenderable to the Consolidated Fund	5	(4,520,896)	-
Comprehensive Net Expenditure for the year		(97,491,784)	(96,201,600)
Balance at 31 March		1,832,334	-

Notes 1 to 8, which are on pages 22-28, form part of these accounts

Notes to the Statement of Accounts

1. Statement of accounting policies

1.1 Statement of compliance

This statement of accounts has been prepared in accordance with the 2015-16 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. They have been applied consistently in dealing with items that are considered material to the statement of accounts.

1.2 Basis of preparation

This statement of accounts has been prepared under the modified historical cost convention.

1.3 Going concern

The statement of accounts has been prepared on the basis of going concern. Legislation requires that the election expenses of Returning Officers are met directly from HM Treasury's Consolidated Fund as a Consolidated Fund Standing Service without the need for further annual authorisation from Parliament.

1.4 Revenue - Income payable to the Consolidated Fund

The forfeited deposits of unsuccessful election candidates are accounted for on an accruals basis and are treated as non-voted receipts surrenderable to the Consolidated Fund; see Note 1.8. Deposits are forfeited by those candidates who fail to obtain one twentieth of the total votes cast at UK Parliamentary elections and by-elections. For European Parliamentary elections candidates must obtain one fortieth of the vote in order to have their deposit returned. Returning Officers are required to return any forfeited deposits to the Consolidated Fund via the Cabinet Office no later than one working day after the result of the election has been declared.

1.5 Value added tax

The activities performed by the Returning Officers are outside the scope of VAT. Irrecoverable VAT is charged to the relevant expenditure category.

1.6 Financial assets

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made where there is objective evidence that balances will not be recovered in full. Balances are written off when the probability of recovery is assessed as being remote. Trade and other receivables includes advances to Returning Officers and amounts owed by Returning Officers.

Advances to Returning Officers

Prior to an election, advances are made to Returning Officers for up to 75% of the maximum recoverable amount and are recognised as receivables in the accounts until expense claims are settled. If Returning Officers have spent more than the amount advanced to them, they will be reimbursed accordingly, unless, they have failed to submit an expense claim within agreed deadlines and sanctions are applied against them. In this instance, no additional payments are made and Returning Officers must bear the additional cost of the elections themselves.

Amounts owed by Returning Officers

If Returning Officers have spent less than the amount advanced to them, an invoice for the underspend will be raised upon them resulting in a debtor balance. Returning Officers are required to return any forfeited deposits to the Consolidated Fund via the Cabinet Office no later than one working day after the result of the election has been declared.

1.7 Cash and cash equivalents

Cash in the Statement of Financial Position comprises cash at bank. For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash, net of outstanding bank overdrafts.

1.8 Financial liabilities

Trade and other payables are recognised at cost which is deemed to be materially the same as the fair value. Trade and other payables include an accrual for election expenses, cash received from Returning Officers in respect of unsettled claims, non-voted receipts surrenderable to the Consolidated Fund (forfeited deposits) and excess cash surrenderable to the Consolidated Fund.

Accruals for elections

On the date of an election, an accrual is raised for the costs of candidates' mailings and for the maximum recoverable amount for each Returning Officer's constituency as listed in the Charges Order. Accruals at 31 March are adjusted to reflect the actual level of claims received from Returning Officers in cases where trends indicate that the actual level of claims may be materially lower than the maximum recoverable amount. Accruals are reversed in full within the operating expenditure upon settlement of Royal Mail invoices and upon settlement of each Returning Officer's actual expense claim.

Accruals for by-elections

HM Treasury advised that the unused portion of the funding from the 2010 Parliamentary election should be retained to cover the cost of by-elections and during 2014-15 this was augmented by additional funding of £750,000.

When a claim is settled, the full amount of cash paid is set against the residual accrual, resulting in a £nil impact upon net operating expenditure. At 31 March 2016, the residual accrual amounted to £786,105; see Note 5.

In order to recognise the cost of a by-election, in memorandum terms, an accrual is created and an equivalent amount is released, resulting again in a £nil impact upon net operating expenditure. At 31 March 2016, £445,026 of the residual accrual relates to by-elections which have taken place where Returning Officers' expense claims are pending settlement.

Advances retained from the Consolidated Fund for future by-election expenses

The balance of the residual accrual which does not pertain to expense claims relating to by-elections held and pending settlement amounted to £341,079; see Note 5. By-elections called since 31 March 2016 are detailed at Note 6.

Non-voted receipts and excess cash surrenderable to the Consolidated Fund

Election expenses are classified as Consolidated Fund Standing Services which Parliament has decided by statute should be met directly from the Consolidated Fund rather than being voted annually by Parliament. The Consolidated Fund is the Government's current account operated by HM Treasury. Non-voted receipts include forfeited deposits (see Note 1.4). Where it transpires that more cash than was needed was drawn from the Consolidated Fund to meet the cost of the conduct of the poll, the excess is surrendered.

1.9 Impending application of newly issued accounting standards not yet effective

It is anticipated that the adoption of these standards is unlikely to have material impact on the financial statements in the period of application.

IAS 1 – Disclosure Initiative (amendment)

These amendments encourage professional judgement to be used in determining what information to disclose in financial statements and where and in what order information is presented in the financial disclosures. Expected to be applied in 2016-17 following EU adoption and review.

IAS 7 - *Disclosure Initiative* (amendment)

These amendments come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Expected to be applied in 2017-18 following EU adoption and consultation.

IFRS 9 – *Financial Instruments* (new)

The objective of the new Standard is to provide users with more useful information about an entity's expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date of financial instruments. Expected to be applied in 2018-19 following EU adoption and consultation.

2. Election expenses

£	2015-16		2014-15	
	Conduct of the poll	Royal Mail	Conduct of the poll	Royal Mail
2015 UK Parliamentary election	61,491,305	37,352,653	-	-
		98,843,958		-
2014 European Parliamentary election	(676,838)	-	59,298,811	36,458,943
		(676,838)		95,757,754
UK Parliamentary by-elections				
Wythenshawe and Sale East	-	-	6,386	-
Clacton	(4,921)	-	124,870	68,593
Heywood and Middleton	8,215	-	140,768	79,774
Newark	-	-	173,517	93,210
Rochester and Strood	27,711	-	132,384	114,257
Oldham West and Royton	135,948	87,989	-	-
	166,953	87,989	577,925	355,834
		254,942		933,759
Accrual released to cover accrued costs of UK by-elections		(253,477)		(183,759)
		1,465		750,000
Total		98,168,585		96,507,754

The costs of the 2015 UK Parliamentary election represent 573 voting areas in England and Wales, and each voting area had an average electorate size of 69,839.

The costs of the 2014 European Parliamentary election represent 359 voting areas and each voting area had an average electorate size of 115,248.

The costs of UK Parliamentary by-elections are offset by the release of the prior year residual accrual. The rationale for this is explained at Note 1.8.

3. Trade and other receivables

£	2015-16	2014-15
2015 UK Parliamentary election		
Amounts owed by Returning Officers	22,893	-
Advances to Returning Officers – claims not settled	23,529,947	-
2014 European Parliamentary election		
Amounts owed by Returning Officers	-	29,752
Advances to Returning Officers – claims not settled	6,916,140	25,888,136
UK Parliamentary by-elections		
Advances to Returning Officers – claims not settled	306,825	410,926
Total	30,775,805	26,328,814

4. Cash and cash equivalents

£	2015-16	2014-15
Balance at 1 April	11,112,544	840,356
Net change in cash and cash equivalent balances	7,837,595	10,272,188
Balance at 31 March	18,950,139	11,112,544
The following balances at 31 March were held at:		
Government Banking Service	18,950,139	11,112,544
Balance at 31 March	18,950,139	11,112,544
The balance at 31 March is held for use in respect of:		
2015 UK Parliamentary election	14,078,362	-
2014 European Parliamentary election	4,426,751	11,100,460
UK Parliamentary by-elections	445,026	12,084
Balance at 31 March	18,950,139	11,112,544

The 2014 European Parliamentary election's share of the bank balance has been calculated by taking the total value of the 53 unsettled claims (£10,661,577), adding on the value of the excess cash to be surrendered to the Consolidated Fund (£681,314) and then subtracting the value of the advances made (£6,916,140); see Notes 3 and 5. The UK Parliamentary by-elections share of the balance covers those elections held where claims are not yet settled; see Note 5. The 2015 UK Parliamentary election's share is the balance.

5. Trade and other payables

£	2015-16	2014-15
2015 UK Parliamentary election		
Accrued expenses	31,925,032	-
Excess cash surrenderable to the Consolidated Fund	3,839,582	-
2014 European Parliamentary election		
Accrued expenses	10,661,577	36,292,516
Excess cash surrenderable to the Consolidated Fund	681,314	-
UK Parliamentary by-elections		
Accrued expenses for by-elections already held	445,026	554,286
Advances retained from the Consolidated Fund for future by-election expenses	341,079	594,556
Total	47,893,610	37,441,358

2015 UK Parliamentary election

Accrued expenses of £31,925,032 relate to 286 residual claims which were pending settlement as at 31 March 2016. Excess cash of £3,839,582 has arisen owing to the value of claims received from Returning Officers being less than anticipated.

2014 European Parliamentary election

Accrued expenses of £10,661,577 relate to 53 residual claims which were pending settlement as at 31 March 2016 (2014-15: £36,292,516 related to 219 claims). Excess cash of £681,314 has arisen owing to the value of claims received from Returning Officers being less than anticipated.

UK Parliamentary by-elections

Accrued expenses of £445,026 at 31 March 2016 relate to claims in respect of by-elections held in Heywood and Middleton on 9 October 2014 (£148,983), Rochester and Strood on the 20 November 2014 (£160,095) and Oldham West and Royton 3 December 2015 (£135,948).

Accrued expenses of £554,286 at 31 March 2015 related to claims in respect of by-elections held in Wythenshawe and Sale East on 13 February 2014 (£156,264), Clacton on 9 October 2014 (£124,870), Heywood and Middleton on 9 October 2014 (£140,768) and Rochester and Strood on the 20 November 2014 (£132,384).

The advances retained of £341,079 will contribute to by-elections held after 31 March 2016. The movement in the advances retained from the Consolidated Fund of £253,477 from £594,556 (2014-15) to £341,079 (2015-16) comprises: settled expenditure relating to Royal Mail expenses 2015-16 of £87,989 and the accrued costs of by-elections of £165,488. Details of these costs can be seen in Note 2 Election Expenses.

6. Financial instruments

IFRS 7 Financial Instruments Disclosures requires disclosure of the role financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Funding for the Returning Officers' expenses is received directly from the Consolidated Fund and therefore there is no exposure to liquidity risk. Material deposits are held with the Government Banking Service so there is no exposure to interest rate risk. All material assets and liabilities are denominated in sterling so there is no exposure to exchange rate risk.

7. Related party transactions

No members of staff in the Cabinet Office Elections Division or in the Department for Communities and Local Government Elections Claims Unit undertook any material transactions with Returning Officers during the year.

8. Events after the reporting period

In accordance with the requirements of *IAS 10 Events after the Reporting Period*, events after the reporting period are considered up to the date on which the accounts are authorised for issue by the Accounting Officer. This is interpreted as being the date on the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

UK Parliamentary by-elections

The following by-elections have been called since 31 March 2016:

- Sheffield Brightside and Hillsborough – 5 May 2016
- Ogmore – 5 May 2016
- Tooting – 16 June 2016
- Batley and Spen – Date to be decided

Indemnity for Returning Officers at the Police and Crime Commissioner elections, May 2016

The Cabinet Office provided an indemnity to Police Area Returning Officers and Local Returning Officers for the Police and Crime Commissioner Elections held on 5 May 2016. The indemnity covers the costs of any claims against them which are not covered under any existing insurance policies which Police Area Returning Officers and Local Returning Officers hold. The Department also certificated the Returning Officers under The Employers' Liability (Compulsory Insurance) Regulations 1998 in respect of any liability to their employees. The indemnity and certificate will remain in place to provide cover to Police Area Returning Officers and Local Returning Officers for any by-elections which are held prior to the next scheduled Police and Crime Commissioner Elections in May 2020. For the purposes of Police and Crime Commissioner Elections, Police Area Returning Officers and Local Returning Officers throughout England and Wales are statutorily independent officers. They stand separate from both central and local government. As a result, they can be exposed to a variety of legal risks varying from minor claims for injury at polling stations to significant election petitions challenging the outcome of a poll and associated legal costs. The Home Office previously provided an indemnity to Returning Officers for the Police and Crime Commissioner Elections held on 15 November 2012.

Indemnity for Petition Officers

The Cabinet Office has provided an indemnity to Petition Officers for any Recall Petition that may be held between the date the indemnity came into force, 8 June 2016, and 6 May 2020. For the purposes of Recall Petitions, Petition Officers throughout Great Britain are statutorily independent officers. They stand separate from both central and local government. As a result, they can be exposed to a variety of legal risks varying from minor claims for injury at signing locations to recall petition complaints, challenging the outcome of a petition and associated legal costs. The Cabinet Office has not provided an indemnity for Petition Officers previously as the Recall legislation has only recently been created. Nonetheless, Cabinet Office has provided an indemnity to Returning Officers for the UK Parliamentary election held on 7 March 2015, as well as all other recent electoral events. The indemnity is to cover the costs of any claims against Petition Officers which are not otherwise recoverable under the charges provisions contained in paragraph 3 of Schedule 1 to the Recall of MPs Act 2015.

EU Referendum

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. There is no impact on Returning Officers' expenses from the 2014 European Parliamentary election. It will be for the Government, under the new Prime Minister, to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on this Statement of Accounts can be made.

ISBN 978-1-4741-3533-7



9 781474 135337