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# Returning Officers' Expenses England and Wales

Statement of Accounts  
2014-15

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# Returning Officers' Expenses England and Wales

## Statement of Accounts 2014-15

(For the year ended 31 March 2015)

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

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# Performance Report

# Foreword

**The Cabinet Office is responsible for supporting the Prime Minister and the Cabinet, and taking forward work to strengthen the Civil Service. The Minister for the Constitution has responsibility for electoral policy, and the responsibility for setting and reimbursing the fees and expenses of Returning Officers at Parliamentary elections in England and Wales rests with the Elections Division (ED) within the Cabinet Office.**

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 (the law requires them to be local authority officers) and Central Government. In practice, this means that Returning Officers take on considerable responsibility in administering elections and are ultimately responsible to the courts 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 both European and UK Parliamentary elections in their respective voting areas. Returning Officers are personally responsible for all the expenditure incurred for running the aforementioned polls and must ensure that their claims for costs are complete, legitimate, properly presented, submitted on time and auditable.

The Statement of Accounts relates to the expenditure incurred in running the following Parliamentary elections in England and Wales during the financial year:

- European Parliamentary elections on 22 May 2014
- Newark Parliamentary by-election on 5 June 2014
- Clacton Parliamentary by-election on 9 October 2014
- Heywood and Middleton Parliamentary by-election on 9 October 2014
- Rochester and Strood Parliamentary by-election on 20 November 2014

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 which 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.

## Financial Review

### 2014 European Parliamentary elections in England and Wales

	Date of the Poll	Conduct of the Poll	Royal Mail	Total expenditure
		£	£	£
<b>2014 European Parliamentary elections in England and Wales</b>	<b>22 May 2014</b>	<b>59,299,657<sup>1</sup></b>	<b>36,458,943</b>	<b>95,758,600</b>

<sup>1</sup>Includes bank charges of £846.

### UK Parliamentary by-elections held since the 2010 UK Parliamentary general election

	Date of the Poll	Conduct of the Poll	Royal Mail	Total expenditure	Residual Funding
		£	£	£	£
<b>Residual funding from 2010 UK Parliamentary general election</b>					<b>4,132,360</b>
Oldham East and Saddleworth	13 Jan 2011	127,740	94,292	222,032	
Barnsley Central	03 Mar 2011	131,783	85,144	216,927	
Leicester South	05 May 2011	111,304	86,324	197,628	
Feltham and Heston	15 Dec 2011	159,329	116,439	275,768	
Bradford West	29 Mar 2012	110,005	110,000	220,005	
Cardiff South and Penarth	15 Nov 2012	148,959	99,367	248,326	
Corby	15 Nov 2012	113,716	115,793	229,509	
Manchester Central	15 Nov 2012	136,286	128,441	264,727	
Croydon North	29 Nov 2012	157,840	122,405	280,245	
Rotherham	29 Nov 2012	148,073	87,779	235,852	
Middlesbrough	29 Nov 2012	114,691	86,198	200,889	
Eastleigh	28 Feb 2013	133,075	126,554	259,629	
South Shields	02 May 2013	156,649	85,691	242,340	
Wythenshawe and Sale East	13 Feb 2014	-	109,651	109,651	
Newark	05 Jun 2014	173,517	93,210	266,727	
Clacton	09 Oct 2014	-	68,593	68,593	
Heywood and Middleton	09 Oct 2014	-	79,774	79,774	
Rochester and Strood	20 Nov 2014	-	114,257	114,257	
Bank Charges		-	-	639	
<b>Settled Expenditure at 31 March 2015</b>		<b>1,922,967</b>	<b>1,809,912</b>	<b>3,733,518</b>	<b>(3,733,518)</b>
<b>Residual funding from 2010 UK Parliamentary general election</b>					<b>398,842</b>
Wythenshawe and Sale East	13 Feb 2014	156,264	-	156,264	
Clacton	09 Oct 2014	124,870	-	124,870	
Heywood and Middleton	09 Oct 2014	140,768	-	140,768	
Rochester and Strood	20 Nov 2014	132,384	-	132,384	
<b>Accrued Expenditure at 31 March 2015</b>		<b>554,286</b>	<b>-</b>	<b>554,286</b>	<b>(554,286)<sup>1</sup></b>
<b>Total Expenditure</b>		<b>2,477,253</b>	<b>1,809,912</b>	<b>4,287,804</b>	
<b>Average cost of UK by-election</b>		<b>137,625</b>	<b>100,551</b>	<b>238,211</b>	
<b>New funding drawn down for UK by-elections</b>					<b>750,000</b>
<b>Funding available at 31 March 2015 to cover future UK by-elections</b>					<b>594,556</b>

<sup>1</sup>Residual funding from 2010 UK Parliamentary general election has now been fully utilised. New funding was sought for future by-elections.



## European Parliamentary elections 2014

Changes were implemented to the funding model ahead of the 2014 European Parliamentary elections and these changes continued for the UK Parliamentary election in 2015.

The new model gives Returning Officers greater freedom to apportion costs as they see fit, rather than restricting costs to a specific assumptions based model. The funding model is based on previously approved expenditure from the last relevant poll that was scrutinised before settling the Returning Officer's claims. From that the figure has been adjusted to take into account changes to the electorate size, the number of postal voters and inflation.

The amount drawn down from the Consolidated Fund for the 2014 European Parliamentary election for England and Wales was £95,758,600. The estimated costs for the conduct of the poll amount to £59,299,657 and the actual cost of delivering candidate election addresses ('mailings', which is the other significant area of cost provided for in legislation), amount to £36,458,943.

Across England and Wales, there were 359 Local Returning Officers and each voting area had an average electorate size of 115,248. Those Local Returning Officers provide their results to the Regional Returning Officer who then declares the result of who has been elected as MEP in that region. There are 10 voting regions in England and Wales. The overall turnout for the elections was 35.6%.

## UK Parliamentary by-elections

Following the 2010 Parliamentary elections, the Cabinet Office had no budget cover for UK by-elections. HM Treasury gave approval for a portion of the unused budget from the 2010 UK Parliamentary general election to be used to fund future UK by-elections. The portion of unused funding amounted to £4,132,360, which was used for by-elections up to June 2014 (which covered Newark on 5 June).

For the three further by-elections that took place in October and November 2014, further budget cover was provided by HM Treasury. The amount drawn from the Consolidated Fund was £750,000. There remains an unused amount of £594,556 which can be used for future by-elections. See Note 6 to the accounts.

The level of turnout for the Parliamentary by-elections that took place in 2014-15 varied from 36% in Heywood and Middleton to 52% in Newark.

## Election Expenditure

For European Parliamentary elections, the estimated average cost incurred by each voting area to conduct the poll amounts to £165,180. This will be finalised when all expenses claims from the poll have been settled. The cost of delivering candidate mailings in England and Wales equals £3,645,894 per voting region.

The average cost of UK by-elections is £238,211 of which conduct of the poll accounts for £137,625 and payment to Royal Mail for the delivery of candidate mailings for £100,551.

The expenses for the conduct of the poll include the costs of polling stations, postal voting, poll cards and the count amongst others. The factors which drive these costs are as follows:

### *1. Conduct of the poll*

The European Parliamentary elections 2014 were run on the basis of two statutory instruments made in the lead up to the poll - The European Parliamentary Elections (Returning Officers' and Local Returning Officers' Charges) (Great Britain and Gibraltar) Order 2014 and The European Parliamentary Elections (Returning Officers' Accounts) Regulations 2014.

Parliamentary by-elections are run on the basis of existing legislation and guidance in place from the previous UK Parliamentary General election in 2010. The overall maximum recoverable amounts that Returning Officers are able to claim for the expenditure of running a poll are listed in The Parliamentary Elections (Returning Officers' Charges) Order 2010. Parliamentary by-elections can cost more than the maximum recoverable amount provided in the Charges Order from 2010, reflecting changes in the electorate size and inflation since 2010. By-elections, by their nature, are often called at short notice and this gives the Returning Officer less time to plan compared to a scheduled poll and this can lead to an increase in conduct costs.

### *2. Royal Mail – delivery of candidates' mailings*

There was variable demand from parties and candidates in taking up the provision for mailings to be delivered at public expense at the UK Parliamentary by-elections that took place in 2014-15, ranging from £68,000 to £114,000. The number of candidates that stood in each election was also a contributing factor.

**Other factors of note are:**

## Insurance

Acting Returning Officers make their own arrangements to insure themselves against any risks which they face in taking forward their statutory duties at local and UK Parliamentary elections. The cover obtained usually forms part of the local authority's own insurance arrangements. The Cabinet Office has provided indemnities for amounts not covered under existing insurance policies; see Note 9 to the Accounts.

## Deposits

Under rules 9 and 53 of Schedule 1 of the Representation of the People Act 1983, in order to stand as a candidate at a UK Parliamentary election, a candidate is required to pay a deposit of £500.

If the candidate doesn't receive five percent of the valid votes which are cast at the poll they lose their deposit and the Returning Officer must surrender it to the Consolidated Fund within twenty four hours of the declaration of the result.

The income payable to the Consolidated Fund through forfeited deposits for the UK Parliamentary by-elections in 2014-15 was £12,000. The equivalent figure for the UK Parliamentary by-elections which took place in 2013-14 was £4,500. Deposits that were returned following the European Parliamentary elections amounted to £295,000. These amounts are set out at Note 3 to the Accounts.

## Receipt and settlement of claims

As at 31 March 2015, the Returning Officer's claim for the Wythenshawe and Sale East by-election has been received but not yet settled. The UK Parliamentary by-elections held in Clacton, Heywood and Middleton and Rochester and Strood were held in October and November 2014 and those Returning Officers have until October and November 2015 respectively to submit their expenses claims. The deadline for submission of these claims follows the provisions set out in 2010 which was 12 months. Expenditure of £554,286 has been accrued; see Note 6 to the Accounts.

As at 31 March 2015, all the Returning Officers' claims in the European Parliamentary election have been received. A shorter deadline of six months from the declaration of the result was set for Returning Officers to submit their claims for these polls instead of the previous 12 months. The six month deadline has been applied for the 2015 UK Parliamentary general election and will apply to future by-elections. At the end of March 2015, 140 claims out of a total of 359 for England and Wales had been settled. Expenditure has been accrued for the residual 219 claims in the amount of £36,292,516; see Note 6 to the Accounts.



## John Manzoni

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

1 December 2015

# Corporate Governance Report

# Director's Report

**This Director's Report covers the legislative framework, the funding mechanism, the Statement of the Accounting Officer's Responsibilities and the Statement on the Disclosure of Relevant Audit Information.**

## The Legislative Framework

### Primary Legislation

Under section 29(4) 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 general election is entitled to recover charges in respect of his services or 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.

The legislation also requires the expenses of Returning Officers for running these polls (including by-elections) to be met directly from HM Treasury's Consolidated Fund.

### Charges Orders

The maximum recoverable amounts which Returning Officers can claim for their fees and expenses in relation to UK Parliamentary elections (including by-elections) and European Parliamentary elections are set out in the following Charges Orders:

SI No.	Name	Effective from
SI 2010 No 830	The Parliamentary Elections (Returning Officers' Charges) Order 2010	15 March 2010
SI 2014 No 325	The European Parliamentary Elections (Returning Officers' and Local Returning Officers' Charges) (Great Britain and Gibraltar) Order 2014	13 February 2014

In addition to setting out the maximum recoverable amounts which Returning Officers are entitled to claim, the 2010 Charges Order specifies the types of expenses which can be claimed, for example, printing of ballot papers and conducting the count process. Expenditure that Returning Officers incur must be necessary and reasonable for the effective conduct of the poll

### Accounts Regulations

Returning Officers' Accounts Regulations issued for UK Parliamentary elections require Returning Officers to submit statements of account within a period of twelve months from the date on which the result of the Parliamentary election is announced. Although this is a statutory deadline, the legislation does not provide for any sanctions to be applied for those failing to meet it. The regulations do allow for a Returning Officer to submit an incomplete account if necessary and to agree a date for delivery of the final account with the Department. For European

Parliamentary election claims, regulations state that Returning Officers are required to submit statements of accounts within a six month period from the date on which the result is announced. (The intention is to move to a six month deadline for all polls).

The following regulations set out the form in which the accounts are to be submitted, the deadlines and the address to which they should be sent:

Name	Effective From
The Returning Officers' Accounts UK Parliamentary Elections England and Wales Regulations 2010	May 2010
The European Parliamentary Elections (Returning Officers' and Local Returning Officers' Accounts) (Great Britain and Gibraltar) Regulations 2014	February 2014

### 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 Parliamentary elections and candidates at 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 send one communication free of charge for delivery is to allow the electorate to be informed of the policies of candidates / parties standing and to help them to make informed choices when casting their vote.

As the universal service provider, Royal Mail, is charged with the delivery of these communications and is reimbursed from the Consolidated Fund according to the requirements of legislation and the terms of a Service Level Agreement in place between the Cabinet Office and the Royal Mail.

## Funding Mechanism

### Returning Officers' Expenses

In advance of UK Parliamentary general elections the Cabinet Office estimates the likely costs that each Returning Officer will incur. The data which is used to calculate the cost of UK Parliamentary elections (including by-elections) is largely based upon the size of the electorate and the number of individuals who might apply to vote by post. These factors determine many of the costs, such as the number of ballot papers, polling stations, poll cards and postal ballot packs needed and inform estimates of labour costs.

The Department agrees the projected costs with HM Treasury so that funds can be made available from the Consolidated Fund once the Charges Order has been made by the Secretary of State. Following agreement from HM Treasury, residual monies from the funding which was provided for the 2010 UK Parliamentary general election have been used to cover the cost of UK Parliamentary by-elections.

Prior to the poll for UK Parliamentary and European Parliamentary elections, the Department makes an initial advance to each Returning Officer of up to 75% of the estimated cost of running the elections they have responsibility for, including the costs of setting up and staffing polling stations. Thereafter Returning Officers can request further funding to cover invoices that need to be paid before completed accounts can be submitted. Further advances to cover such invoices are capped so that the total of advances to any Returning Officer does not exceed 90% of the original estimate.

Following the election, Returning Officers are required to submit statements of account showing the actual costs they incurred in running the elections. The Department reviews and confirms the validity of the expenditure reported in these statements of account by reference to supporting documentation. Should an advance exceed the total costs incurred, the Returning Officer must return the excess monies to the Department.

Where the total costs incurred exceed the advance, the Department pays the Returning Officer the balance. In exceptional cases where the total cost of a claim exceeds the estimated amount, the Department has the discretion to pay the additional expenses which are being claimed if the Returning Officer can provide evidence that the expenditure was necessary and reasonable for the effective and efficient conduct of the poll.

In advance of the European Parliamentary elections in 2014, the Cabinet Office estimated the costs each Returning Officer was likely to incur based on previously approved expenditure at the last relevant poll with uplifts for inflation and changes to electorate and postal vote numbers.

### Candidates' Mailings

In addition to the funding for the conduct of the UK Parliamentary and European Parliamentary elections, agreement is reached with the Department on the level of costs which will be required for the delivery of candidates' mailings. The cost of delivering the mailings is based on the prices contained in the Service Level Agreement between the Department and Royal Mail and is presented and agreed in ranges with the Treasury as; (a) the number of candidates standing at the election is not known until close of nominations and; (b) information on whether each candidate has used addressed or unaddressed mailings (which cost different amounts) is only known after the election has taken place.

## 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 2014-15 (HC 23). During the reporting year, no payment was made to the auditors for non-audit work (2013-14: £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.

A handwritten signature in black ink, appearing to read 'J Manzoni', is written over a horizontal line.

**John Manzoni**

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

**1 December 2015**



## 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 2015 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.

# 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 the Elections Division (ED) and within the Department for Communities and Local Government's (DCLG) Finance Shared Services Division (FSSD). The Finance Shared Services Division of the Department for Communities and Local Government acts as an agent for ED to run the day-to-day operations of the Returning Officers' Expenses for England and Wales. ED has the delegated responsibility for managing the performance and compliance of DCLG against the service level agreement (SLA) that governs the provision of financial services by them to the Department. The system of internal control has been in place for the year ended 31 March 2015, and up to the date of approval of the statement of accounts, and accords with HM Treasury guidance.

## 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 of the department's risk control and corporate governance arrangements, and assessing the comprehensiveness, reliability and integrity of those assurances. Further details on the Department's capacity to handle risk is set out in the Governance Statement contained in the Cabinet Office Annual Report and Accounts 2014-15 (HC 23). A link to the accounts is provided below:

<https://www.gov.uk/government/publications/cabinet-office-annual-report-and-accounts-2014-to-2015>

### Risk Management in the Finance Shared Services Division of the Department for Communities and Local Government

The Cabinet Office receives financial services from the Election Claims Unit of the Department for Communities and Local Government under a shared services arrangement. An annual letter of assurance from DCLG confirms that risk management is reviewed regularly and that appropriate systems of internal control are applied to ensure the

integrity of the data which DCLG is processing on behalf of the Cabinet Office. The letter of assurance for 2014-15 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 the services'.

#### Risk of late submission of claims by Returning Officers

Returning Officers had twelve months from the date of the poll to submit their expenses claims for UK Parliamentary by-elections prior to May 2015 (it will be six months in future). The statutory deadline for accounts to be submitted for Parliamentary by-elections is set out in *The Returning Officers' Accounts UK Parliamentary Elections England and Wales Regulations 2010*.

In a wider perspective, for the Police and Crime Commissioner (PCC) Elections held in 2012, which were funded via the Home Office, all claims for Returning Officers were received within the eight month deadline set for that poll (as part of a step change from 12 to 6 months).

For the European Parliamentary elections in 2014, Returning Officers were given six months from the date the result had been declared to submit their expenses claims and this will be the general position in the future. All of the claims have been received by the Elections Claims Unit (ECU).

#### Risks to regularity, propriety and value for money

ED officials seek to ensure rigorous oversight of the assessment of claims and to ensure they are aware of any anomalies and queries so they can make the necessary decisions on policy or judgements of any significance. ECU is required to refer all claims to the Cabinet Office for final resolution where there is either an overall over spend, over spends on particular elements of the poll or in circumstances where novel or unusual spends are identified.

Upon the receipt of any such claims from ECU, the Cabinet Office has taken forward additional work with Returning Officers to explore the reasons behind the over spends or unusual types of expenditure which have been incurred. As part of this work, the Cabinet Office has asked Returning Officers to evidence the value for money judgments which they took when committing expenditure for the conduct of the poll. Where a Returning Officer has provided evidence to prove that the expenditure was reasonable and necessary for the effective conduct of the poll, we have instructed ECU to settle the claim. In other instances, we have reduced the amounts which we have paid to Returning Officers for the conduct of the poll and / or have secured their agreement for better value for money judgments to be undertaken for future polls.

Whilst many Returning Officers (ROs) and their teams have found this onerous, ED is keen to ensure that there is appropriate challenge and clarification / supporting evidence where queries arise. This helps to regulate the process and ensure that the amounts which Returning Officers spend for elections 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, assurance statements from ED and the comments made by the external auditors in their management letter and other reports.

### Work of Internal Audit

An internal audit review 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 the review of election funding, began in July 2015. The outcomes of this audit will be reported upon in the Statement of Accounts 2015-16. The outcome of the 2013-14 Internal Audit review was an audit assessment of 'amber green' providing substantial assurance on sound governance, risk and control mechanisms established and found to be working effectively with minor weaknesses. The outcome of the 2015 Internal Audit review was split into two parts. The audit assessment of "yellow" was given for the funding process; some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. On the transfer of responsibility of processing payments to Returning Officers and scrutinising expenses claims from the Department of Communities and Local Government to the Cabinet Office – this has the audit assessment of "amber" - significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective. The reports include a series of recommendations to be completed in the coming months to address the issues raised

### Additional measures to improve funding and accounting arrangements for future polls

Additional measures to improve the funding and accounting arrangements for future polls relate to advances, the timetable for Returning Officers to submit their claims for election expenses and a funding review.

### Advances

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

### Timetable for submitting claims

As part of the funding review, and after deadlines of 8 months in the UK Referendum on the voting system for UK Parliamentary elections in May 2011, and the PCC elections in November 2012, the Cabinet Office has now shortened the timetable for submitting claims from 12 months to 6 months. The evidence we have collected suggested that some Returning Officers and their staff wait until near the deadline to submit their claims and then find themselves caught up in running the next set of elections, which impedes their ability to find time to complete

the claim. Setting an earlier statutory deadline will avoid that clash whilst also lengthening the time between that deadline and the one for submitting the Cabinet Office's Annual Report and Accounts.

The Cabinet Office has few levers to enforce submission of claims until the statutory deadline is reached and the gap between the respective deadlines will provide the Department with greater ability to leverage pressure on any Acting Returning Officers who do not submit their claims on time. In future, where any claim is received after the statutory deadline without prior agreement to an extension being agreed by the Cabinet Office, our approach is to require Returning Officers to pay back the advances which they received before the poll to the Consolidated Fund via the Cabinet Office with immediate effect.

For future UK Parliamentary and European Parliamentary elections, the Election Claims Unit on behalf of the Cabinet Office will ask Returning Officers to make a signed declaration prior to the poll. By signing the declaration, Returning Officers will be confirming that they understand that the Cabinet Office may impose sanctions upon them if they do not submit their claims by the statutory deadline. The sanctions that could be imposed by the Cabinet Office include a request for all monies which have been provided to be returned and/or for reduced advances to be provided for future polls.

## Funding Review

The Cabinet Office undertook an initial review of the election funding model for national polls and produced an informal consultation paper for relevant stakeholders to comment upon in July 2013. The paper covered a wide range of issues including the time period for Returning Officers submitting their expenses claims, reducing the burden of completing the claim whilst improving transparency and allowing for effective accounting of monies spent at national elections.

Feedback and responses received to the consultation, led to the change of a six month deadline for claims to be submitted, a change to how the funding allocations for Returning Officers were initially calculated and a new lighter touch scrutiny model. (This has reduced the amount of supporting evidence that Returning Officers are initially required to submit to make the process less burdensome.)



### John Manzoni

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

1 December 2015

# Financial Statements

## 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 2015 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.

### 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 circumstances of Returning Officers' Expenses (England and Wales) Accounts 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 2015 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 information given in the Financial Review, Governance Statement and Director's Report for the financial year for which the financial statements are prepared is 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 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

14 December 2015



## Statement of Comprehensive Net Expenditure

for the period ended 31 March 2015

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

		2014-15 £	2013-14 £
	<b>Note</b>		
<b>2010 UK Parliamentary General Election</b>			
Accrual released to cover costs of UK by-elections		(183,759)	(506,970)
Accrual released to cover bank charges		-	(639)
	2	<b>(183,759)</b>	<b>(507,609)</b>
<b>UK Parliamentary by-elections</b>			
Conduct of the poll		577,925	311,628
Royal Mail delivery of candidates' mailings		355,834	195,342
	2	<b>933,759</b>	<b>506,970</b>
<b>2014 European Parliamentary elections</b>			
Conduct of the poll		59,298,811	-
Royal Mail delivery of candidates' mailings		36,458,943	-
	2	<b>95,757,754</b>	-
<b>Total election expenses</b>	2	<b>96,507,754</b>	<b>(639)</b>
Bank charges		846	639
Income payable to the Consolidated Fund	3	(307,000)	(4,500)
<b>Total Comprehensive Net Expenditure for the period ended 31 March 2015</b>		<b>96,201,600</b>	<b>(4,500)</b>

Notes 1 to 12 form part of these accounts

## Statement of Financial Position

as at 31 March 2015

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.

	Note	2015 £	2014 £
<b>Current assets</b>			
Trade and other receivables	4	26,328,814	665,090
Cash and cash equivalents	5	11,112,544	840,356
<b>Total current assets</b>		<b>37,441,358</b>	<b>1,505,446</b>
<b>Current liabilities</b>			
Trade and other payables	6	(37,441,358)	(1,505,446)
<b>Total current liabilities</b>		<b>(37,441,358)</b>	<b>(1,505,446)</b>
<b>Total assets less liabilities</b>		<b>-</b>	<b>-</b>
<b>Taxpayers' equity</b>			
General fund		-	-
<b>Total taxpayers' equity</b>		<b>-</b>	<b>-</b>



**John Manzoni**

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

1 December 2015

Notes 1 to 12 form part of these accounts

## Statement of Cash Flows

for the period ended 31 March 2015

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.

		2014-15 £	2013-14 £
	<b>Note</b>		
<b>Cash flows from operating activities</b>			
Net operating income		(96,201,600)	4,500
(Increase)/decrease in trade and other receivables	4	(25,663,724)	114,572
Increase/(decrease) in trade and other payables	6	35,935,912	(940,512)
<i>Movement in trade and other payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
Non-voted receipts surrenderable to the Consolidated Fund	6	-	85,941
<b>Net cash outflow from operating activities</b>		<b>(85,929,412)</b>	<b>(735,499)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (non-supply)		96,508,600	-
<b>Net financing</b>		<b>96,508,600</b>	<b>-</b>
Non-voted receipts of current year surrendered to the Consolidated Fund		(307,000)	(4,500)
Non-voted receipts of prior year surrendered to the Consolidated Fund		-	(85,941)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	5	<b>10,272,188</b>	<b>(825,940)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	5	840,356	1,666,296
<b>Cash and cash equivalents at the end of the period</b>	5	<b>11,112,544</b>	<b>840,356</b>

Notes 1 to 12 form part of these accounts



## Notes to the Accounts

### 1. Statement of accounting policies

#### 1.1 Statement of compliance

This statement of accounts has been prepared in accordance with the 2014-15 *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 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 Programme expenditure

The Statement of Comprehensive Net Expenditure classifies income and expenditure as programme. This classification follows the definition set out in the *Consolidated Budgeting Guidance* issued by HM Treasury which describes programme expenditure as associated with the provision of direct frontline services.

#### 1.5 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 1.9. 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.

#### 1.6 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.

## 1.7 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 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 under spend 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.

## 1.8 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.

## 1.9 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 and non-voted receipts 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 Officers' 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 cost upon settlement of Royal Mail invoices and upon settlement of each Returning Officer's actual expense claim.

For by-elections held subsequent to the 2010 UK Parliamentary General election, HM Treasury advised that an unused portion of the General Election funding should be retained to cover their costs. Therefore upon establishment of an accrual for a by-election as described above, a commensurate portion of the remaining accrual pertaining to the 2010 UK Parliamentary General election was released which resulted in a neutral overall impact on the operating cost. By 31 March 2015, this accrual was fully released and HM Treasury approved further budget cover of £750,000 which was drawn in full from the Consolidated Fund; see Note 6 to the accounts.

#### *Non-voted receipts 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 1.5).

### 1.10 Contingent liabilities

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed in the Notes to the Accounts in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*. A contingent liability is a possible obligation arising from past events whose existence will be confirmed only by uncertain future events or present obligation arising from past events that are not recognised because either an outflow of economic benefit is not probable or the amount of the obligation cannot be reliably measured. In addition to contingent liabilities disclosed in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*, this statement of accounts discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

### 1.11 Impending application of newly issued accounting standard not yet effective

Issued 1 January 2013:

IFRS 13 - '*Fair Value Measurement*'

This will apply prospectively from 1 April 2015 and will provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS.

*The following accounting standards were issued and effective for the first time in 2014-15 but they do not have any impact on the Statement of Accounts, since they relate to group and separate financial statements:*

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IAS 27 Separate Financial Statements

IAS 28 Investments in Associates and Joint Ventures

## 2. Election expenses

	2014-15		2013-14	
	£		£	
	Conduct of the poll	Royal Mail	Conduct of the poll	Royal Mail
<b>2014 European Parliamentary elections</b>	59,298,811	36,458,943	-	-
<b>Sub total</b>		<b>95,757,754</b>		-
<b>UK Parliamentary by-elections</b>				
	Conduct of the poll	Royal Mail	Conduct of the poll	Royal Mail
Corby	-	-	(247)	-
Croydon North	-	-	(5,702)	-
Rotherham	-	-	13,732	-
Middlesbrough	-	-	(1,519)	-
Eastleigh	-	-	(1,163)	-
South Shields	-	-	156,649	85,691
Wythenshawe and Sale East	6,386	-	149,878	109,651
Clacton	124,870	68,593	-	-
Heywood and Middleton	140,768	79,774	-	-
Newark	173,517	93,210	-	-
Rochester and Strood	132,384	114,257	-	-
<b>Sub total</b>	<b>577,925</b>	<b>355,834</b>	<b>311,628</b>	<b>195,342</b>
		<b>933,759</b>		<b>506,970</b>
<b>2010 UK Parliamentary general election</b>				
Accrual released to cover accrued costs of UK by-elections		(183,759)		(506,970)
<b>Sub-total</b>		<b>(183,759)</b>		<b>(506,970)</b>
<b>Total</b>		<b>96,507,754</b>		-

The costs of the 2014 European parliamentary elections 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 residual accrual pertaining to the 2010 UK Parliamentary general election. The rationale for this is explained at Note 1.9.



### 3. Income payable to the Consolidated Fund

	2014-15 £	2013-14 £
Forfeited deposits:		
2014 European Parliamentary elections	295,000	-
UK Parliamentary by-elections	12,000	4,500
<b>Total</b>	<b>307,000</b>	<b>4,500</b>

### 4. Trade and other receivables

	2014-15 £	2013-14 £
Amounts owed by Returning Officers	29,752	-
Advances to Returning Officers - claims not yet settled	26,299,062	665,090
<b>Total</b>	<b>26,328,814</b>	<b>665,090</b>

The table below analyses the balance at 31 March by election type:

2014 European Parliamentary elections	25,917,888	120,000
UK Parliamentary by-elections	410,926	545,090
<b>Total</b>	<b>26,328,814</b>	<b>665,090</b>

## 5. Cash and cash equivalents

	2014-2015 £	2013-2014 £
<b>Balance at 1 April</b>	840,356	1,666,296
Net change in cash and cash equivalent balances	10,272,188	(825,940)
<b>Balance at 31 March</b>	<b>11,112,544</b>	<b>840,356</b>
The following balances at 31 March were held at:		
Government Banking Service	11,112,544	840,356
<b>Balance at 31 March</b>	<b>11,112,544</b>	<b>840,356</b>
The balance at 31 March is held for use in:		
2014 European Parliamentary elections	11,100,460	-
Future UK Parliamentary by-elections	12,084	840,356
<b>Balance at 31 March</b>	<b>11,112,544</b>	<b>840,356</b>

## 6. Trade and other payables

	2014-15 £	2013-14 £
<b>UK Parliamentary by-elections</b>		
Accrued UK by-election expenses	554,286	727,131
Advances retained from the Consolidated Fund for by-election expenses	594,556	778,315
<b>2014 European Parliamentary elections</b>		
Accrued European Parliamentary election expenses	36,292,516	-
<b>Total</b>	<b>37,441,358</b>	<b>1,505,446</b>

Accrued UK by-election expenses of £554,286 are detailed in the Financial Review.

The movement in the accrual for advances retained from the Consolidated Fund for by-elections expenses of £183,759 from £778,315 (2013-14) to £594,556 (2014-15) comprises three amounts: the first is settled expenditure relating to Royal Mail expenses incurred for by-elections in 2014-15 of £355,834, the second is accrued costs of by-elections of £577,925 and the third is the draw down of £750,000 from the Consolidated Fund for UK by-elections. Detail of these costs can be seen in Note 2 Election Expenses.

Accrued 2014 European Parliamentary election expenses of £36,292,516 relate to the 219 residual claims pending settlement as at 31 March 2015. Further information is set out in the Financial Review.

## 7. 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. Deposits held by Returning Officers in commercial bank accounts at 31 March 2015 were not material. All material assets and liabilities are denominated in sterling so there is no exposure to exchange rate risk.

## 8. Contingent assets and liabilities

There are no material contingent assets or liabilities at 31 March 2015 for disclosure under *IAS 37*.

## 9. Contingent liabilities not required to be disclosed under *IAS 37* but included for parliamentary reporting and accountability purposes

The Cabinet Office has given the following indemnities whose amount is 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 Elections May 2014

The Cabinet Office has provided an indemnity to Regional and Local Returning Officers for the European Parliamentary Elections held on 22 May 2014. The indemnity is for amounts which are not covered under the existing insurance policies which Regional and Local Returning Officers hold. The Department will also certificate 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 Regional and Returning Officers for any by-elections which are held prior to the next scheduled European Parliamentary election in 2019. A parliamentary minute was laid on 8 April 2014.

### Indemnity for Returning Officers at the UK Parliamentary Elections May 2015

For the purposes of UK Parliamentary elections, Returning Officers and Acting Returning Officers throughout Great Britain are statutorily independent officers. They are separate from both central and local government. As a result, they are exposed to a variety of legal risks varying from minor claims for injury at polling booths, to significant election petitions and associated legal costs. The Cabinet Office provided an indemnity to Returning Officers on 4 March 2015 for the UK Parliamentary Elections held on 7 May 2015. The indemnity is for amounts which are not covered under the existing insurance policies which Returning Officers hold.

## 10. Losses and special payments

There are no losses and special payments to report.

## 11. 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.

## 12. 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. There are no events after the reporting period which affect these accounts.

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