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**Returning Officers' Expenses  
England & Wales**

**Statement of Accounts  
2010-11**

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# **Returning Officers' Expenses England & Wales**

## **Statement of Accounts 2010-11**

**(For the year ended 31 March 2011)**

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

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## **FOREWORD - INTRODUCTION BY SIR GUS O'DONNELL**

I am pleased to present the Returning Officers' Expenses England & Wales Statement of Accounts 2010-11 which have been authorised by me as Accounting Officer and audited and certified by the Comptroller and Auditor General.

The Statement of Accounts includes:

- a Management Commentary;
- a Statement on Internal Control which is compliant with HM Treasury guidance;
- a Statement of Accounting Officer's Responsibilities which sets out my responsibilities for preparing the Accounts and for ensuring the regularity of financial transactions;
- a Certificate and Report of the Comptroller and Auditor General to the House of Commons; and
- audited Financial Statements.

### **BASIS OF ACCOUNTS**

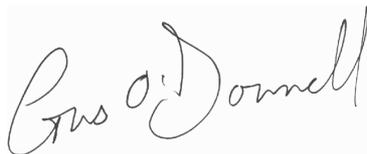
The Returning Officers' Expenses England & Wales Statement of Accounts has been prepared on a statutory basis in accordance with the requirements of HM Treasury and is designed to comply with the Accounts Direction issued by HM Treasury under section 7(2) of the Government Resources and Accounts Act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

### **AUDITORS**

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 2010-11 (HC 999).

### **STATEMENT ON THE DISCLOSURE OF RELEVANT AUDIT INFORMATION**

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.



**Sir Gus O'Donnell GCB**

Accounting Officer

Secretary of the Cabinet

Head of the Civil Service

28 November 2011

## **FOREWORD**

### **MANAGEMENT COMMENTARY**

#### **Overview**

The expenditure reported in the statement of accounts relates to the following elections in England and Wales:

- The 2010 UK Parliamentary General election on 6 May 2010
- The 2009 European Parliamentary election on 4 June 2009
- Norwich North UK Parliamentary by-election on 23 July 2009
- Oldham East and Saddleworth UK Parliamentary by-election on 13 January 2011
- Barnsley Central UK Parliamentary by-election on 3 March 2011

The accounts only relate to the expenditure for the running of UK Parliamentary and European Parliamentary elections (and by-elections) in England and Wales. The responsibility for accounting for Returning Officer's expenditure in Northern Ireland and Scotland rests with the Northern Ireland Office and Scotland Office respectively.

The accounts also do not cover the costs of local elections which are funded by local authorities from the funding which they receive from the Government's Revenue and Support Grant.

This section of the report includes the following content:

- Governance
- The Legislative framework
- Funding Mechanism
- Financial Review

#### **Governance**

The Cabinet Office is responsible for supporting the Prime Minister and Deputy Prime Minister, supporting the Cabinet; and taking forward work to strengthen the Civil Service.

Responsibility for setting and reimbursing the fees and expenses of Returning Officers at Parliamentary elections in England and Wales rests with the Elections and Democracy Division (EDD). EDD was part of the Ministry of Justice (MoJ) and its predecessor Departments from 29 May 2002 until 1 June 2010. From 2 June 2010, EDD transferred to the Cabinet Office under a machinery of government change to support the Deputy Prime Minister, who has responsibility for electoral policy.

Returning Officers for UK Parliamentary and European Parliamentary elections (technically, Acting Returning Officers for the former poll and Regional Returning Officers / Local Returning Officers for the

latter) 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 UK Parliamentary and European Parliamentary elections (including by-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 Finance Shared Services Division (FSSD) of the Department for Communities and Local Government (DCLG) runs the day-to-day operations of the Returning Officers' Expenses on an agency basis for the work undertaken by EDD.

## 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 elections expenses of Returning Officers for 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 and European Parliamentary elections (including by-elections) are set out in the following Charges Orders:

SI No.	Name	Effective from
SI 2009 No 1069	The European Parliamentary Elections (Returning Officers' Charges) (Great Britain and Gibraltar) Order 2009 <a href="http://www.legislation.gov.uk/uksi/2009/1069/contents/made">http://www.legislation.gov.uk/uksi/2009/1069/contents/made</a>	24 April 2009
SI 2009 No 1077	The European Parliamentary Elections (Local Returning Officers' Charges) (England, Wales and Gibraltar) Order 2009 <a href="http://www.legislation.gov.uk/uksi/2009/1077/contents/made">http://www.legislation.gov.uk/uksi/2009/1077/contents/made</a>	24 April 2009
SI 2010 No 830	The Parliamentary Elections (Returning Officers' Charges) Order 2010 <a href="http://www.legislation.gov.uk/uksi/2010/830/contents/made">http://www.legislation.gov.uk/uksi/2010/830/contents/made</a>	15 March 2010

In addition to setting out the maximum recoverable amounts which Returning Officers are entitled to claim (providing that the expenditure is necessary and reasonable for the effective conduct of the poll), the Charges Orders specify the types of expenses which can be claimed, for example, printing and producing the ballot papers and conducting the verification / count process.

*Accounts Regulations*

Returning Officers' Accounts Regulations issued at Parliamentary and European elections require Returning Officers to submit statements of account within a period of twelve months from the day 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.

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' and Local Returning Officers' Accounts (European Parliamentary Elections) (England, Wales and Gibraltar) Regulations 2004	May 2004
The Returning Officers' Accounts (Parliamentary Elections) (England and Wales) Regulations 2010	May 2010

*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 and European Parliamentary elections are entitled to send one mailing to each elector or household within the voting area free of charges. The main purpose of the allowing candidates to send one communication free of charge 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.

The Royal Mail undertakes the delivery of all these communications and is reimbursed from the Consolidated Fund according to 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 or European Parliamentary elections the Cabinet Office estimates the likely costs that each Returning Officer will incur. The assumptions which are used to calculate the cost of UK Parliamentary elections and European Parliamentary elections (including by-elections) are 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, postal ballot packs and estimates of labour costs.

The Department agrees the estimates 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.

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 election, 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 election. The Department reviews and confirms the validity of the expenditure reported in these statements of account to supporting documentation. Where the advance exceeds the total costs incurred, the Returning Officer returns the excess monies to the Department. Where the total costs incurred exceed the advance, the Department pays the Returning Officer the balance.

### *Candidates Mailings*

In addition to the funding for the conduct of the UK Parliamentary General and European Parliamentary elections, agreement is reached between the Department on the level of costs which will be required for the delivery of the Candidates Mailings. The cost of 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 until after the election has taken place.

## Financial Review

The table below compares the costs of the 2009 European Parliamentary, 2010 UK Parliamentary and UK Parliamentary By-elections to the amounts drawn from Treasury's Consolidated Fund as reported in the 2009-10 and 2010-11 accounts.

Election	Conduct of the Poll	Royal Mail	Total Costs	Funding	Under spends to date
	£	£	£	£	£
2010 UK Parliamentary election <i>2010-11 accounts</i>	70,413,992	28,655,271	99,069,263	101,855,271	2,786,008
Oldham East and Saddleworth UK Parliamentary by-election <i>2010-11 accounts</i>	127,740	94,292	222,032	-	(222,032)
Barnsley Central UK Parliamentary by-election <i>2010-11 accounts</i>	131,783	-	131,783	-	(131,783)
<b>Total</b>	<b>70,673,515</b>	<b>28,749,563</b>	<b>99,423,078</b>	<b>101,855,271</b>	<b>2,432,193</b>
Norwich North UK Parliamentary by-election <i>2009-10 accounts</i>	78,846	162,651	241,497	300,000	58,503
<i>2010-11 accounts</i>	27,640	-	27,640	-	(27,640)
<b>Total</b>	<b>106,486</b>	<b>162,651</b>	<b>269,137</b>	<b>300,000</b>	<b>30,863</b>
Prior year elections <i>2009-10 accounts</i>	<b>42,920</b>	-	<b>42,920</b>	-	<b>(42,920)</b>
2009 European Parliamentary election <i>2009-10 accounts</i>	54,861,759	35,439,760	90,301,519	95,000,000	4,698,481
<i>2010-11 accounts</i>	(186,158)	-	(186,158)	-	186,158
<b>Total</b>	<b>54,675,601</b>	<b>35,439,760</b>	<b>90,115,361</b>	<b>95,000,000</b>	<b>4,884,639</b>
<b>Grand Total</b>	<b>125,498,522</b>	<b>64,351,974</b>	<b>189,850,496</b>	<b>197,155,271</b>	<b>7,304,775</b>

The budget for the 2010 UK Parliamentary General Election was £102,200,000 of which £101,855,271 was drawn from HM Treasury's Consolidated Fund.

Costs are set out at Note 3 to the Accounts.

### **Under spends to date against funds drawn and budget**

The final amount of under spends against budget will only be known once all claims have been settled and any residual accruals written back against operating cost. It is expected that the final amount of under spends will be reported in the Statement of Accounts 2011-12.

By 31 March 2011, total under spends amounted to **£7,304,775** of which **£5,546,929** will be surrendered to HM Treasury's Consolidated Fund. This amount is reported at Note 7 to the Accounts as non-voted receipts surrenderable to the Consolidated Fund and comprises **£4,884,639** for 2009 European Election, **£30,863**, for Norwich North UK By-election, **£55,984** for 2010 UK General Election and **£575,443** relating to previous elections being the net of surplus cash of **£618,363** and **£42,920**.

It can be noted that the savings against budget for the 2010 UK Parliamentary election have been used to fund the conduct of the poll and candidates mailings for the Oldham East and Saddleworth and Barnsley Central UK Parliamentary by-elections. Using monies for the by-elections from the existing budgets for the 2009 European Parliamentary and 2010 UK Parliamentary elections helped to avoid the need for additional funding to be secured from the Treasury for these polls.

The evidence in the table shows that the cost of the UK Parliamentary and European Parliamentary elections falls below the budget which was agreed with the Treasury for both of these polls.

In view of these figures, and further to a previous intention to assess the funding process, the Cabinet Office will review how the funding mechanisms worked at the 2009 European Parliamentary election and the 2010 UK Parliamentary elections to determine the changes which need to be made for future elections and where efficiencies can be made.

Building on the significant work done between 2007 and 2009 on the unit costs of elections that led to a widely welcomed revision to the funding structure, there is now evidence from the subsequent 'national' polls that will allow us to refine that further and give more targeted assessments of costs and the timetable and structure for payments – and save some further public money.

## **Comparison between costs for the 2009 European Parliamentary and 2010 UK Parliamentary elections**

The costs for the UK Parliamentary General Election 2010 of £99,069,263 are higher than the costs of the European Parliamentary Election 2009 of £90,278,012; see Note 3 to the Accounts. This may be attributed to the following areas of spend.

### *Royal Mail – Candidates Mailings*

The cost of sending out the Candidates Mailings for the 2010 UK Parliamentary election was £28,655,271. However, this figure could have risen to £42 million if all of the candidates who contested the election across the UK had opted to send out an addressed mailing. In comparison, the cost of distributing the candidates mailings at the 2009 European Parliamentary election was £35,602,411.

Following the European Parliamentary elections in 2009 and the significant costs arising from the delivery of elections mailings, officials worked hard to challenge Royal Mail costings and agree an SLA that included more preferential unit costs. As part of this Royal Mail developed a new product called 'Electionsort' which had a lower unit cost in return for more of the administrative sorting work being carried out by the parties using Royal Mail supplied software. As a consequence lower unit costs and a cheaper option (that appealed to parties) were achieved and reflected in the overall billing for the May 2010 polls.

The cost of Candidates Mailings represented 29% of the estimated costs of the 2010 UK Parliamentary election and 39% of the estimated final cost of the 2009 European Parliamentary elections.

### *Insurance*

For the purposes of European Parliamentary elections, Regional Returning Officers ("RROs") are personally liable for the conduct of the poll. Although, RROs are mainly local authority chief executives, for the purposes of elections, they are independent officers appointed by statute and are separate from both Central and Local Government. They are exposed, as a result, to a variety of legal risks, including election petitions being issued against them. Given that it was not possible for the RROs to extend their own insurance policies to cover themselves against these risks for European Parliamentary elections, the Department took out commercial insurance with the Royal and Sun Alliance. The cost of the cover was reclaimed from the Consolidated Fund as a necessary cost of the election.

In contrast for the purposes of UK Parliamentary General elections, 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.

This is the reason why Note 3 to the Accounts includes insurance as an expense for the European Parliamentary elections in 2009-10 but with no equivalent expense for the UK Parliamentary elections in 2010-11.

### *Grants*

Election expenses in 2009-10 included costs for purchasing election equipment under the "grants" system; see Note 3 to the Accounts. Under this system grants were made, sometimes in advance, of either 100%, 80% or 50% of the cost of equipment for polling stations. Where the equipment was necessary solely for the purposes of that election (such as stationery unique to that election), then 100% of the cost was allocated. Where it was likely that the equipment would be used for other elections, or other purposes (such as polling screens, ballot boxes, tables and ramps for disabled access) then grants of either 80% or 50% were allocated on the basis that the authority purchasing them will be using them at other times or for other purposes and therefore should contribute to their cost.

Following the European Elections in June 2009, the Government abolished the grant system and put in place a new system which was operated for the first time at the 2010 UK Parliamentary General election. The new system gives the responsibility for managing funds spent on electoral equipment to the Returning Officer (RO) and redistributes the funds which would otherwise be spent on the "grants" for the next five years to the Charges Order. The amount of funds allocated takes into account the amount of use the Government will make of this equipment over its lifetime, compared with the use made by local authorities in their constituency area.

### *Deposits*

Under Rules 9 and 53, Schedule 1 of the Representation Act, 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 one twentieth of the votes which are cast at the poll he / she loses their deposit and it is returned within twenty four hours of the declaration of the result by the Returning Officer to the Consolidated Fund. Similar provisions apply under Rules 10 and 62, Schedule 1 of the European Parliamentary election regulations 2004 for European Parliamentary elections. The only differences are that the level of the deposit is £5,000 and parties or individual candidates need to secure one fortieth of the total number of votes which are cast to avoid losing their deposit.

The income payable to the Consolidated Fund through forfeited deposits for the UK Parliamentary election and by-elections in 2010-11 was £880,981. The equivalent figure for the European Parliamentary elections and Norwich North by-election in 2009-10 was £384,923. These amounts are set out at Note 4 to the Accounts.

### *Other Costs*

Due to the turnout at the 2010 UK Parliamentary election (65%) being higher than the turnout at the 2009 European Parliamentary elections (34.7%), the costs of a number of the components of the latter poll will be higher than the former. This most notably applies to postal voting and counting costs. It can also be noted that the role of Regional Returning Officer only exists for European Parliamentary elections which means that no expenses associated with this role will appear in claims which are submitted for UK Parliamentary elections.

## Receipt and Settlement of Claims

Details of the claims received and settled for past elections as at 31 March 2011 are set out in the table below, along with comparative figures for the year ended 31 March 2010. The percentages in the table are based on the number of claims and not their value.

Election	As at 31 March 2011			As at 31 March 2010		
	Claims Received	Claims Settled	Advances Written Off	Claims Received	Claims Settled	Advances Written Off
2010 UK Parliamentary election	48.9%	17.5%	-	-	-	-
2009 European Parliamentary election	100%	91.2%	-	58.4%	21.2%	-

The figures in the table show that a significant number of Returning Officers did not submit their claims for UK Parliamentary and European Parliamentary elections until 2-3 months before the twelve month deadline.

By way of further information, the tables below set out the number of claims which were received and settled for the 2010 UK Parliamentary election by 6 May 2011, the statutory deadline for submitting claims and 20 June, the date of the audit completion of the Cabinet Office's accounts.

Election	As at 6 May 2011		
	Claims Received	Claims Settled	Advances Written Off
2010 UK Parliamentary election	81.2%	22.2%	-
2009 European Parliamentary election	100%	92.8%	-

Election	As at 20 June 2011		
	Claims Received	Claims Settled	Advances Written Off
2010 UK Parliamentary election	100%	32.5%	-
2009 European Parliamentary election	100%	93.3%	-

Proposals to improve the timing of the submission of claims by Returning Officers are set out in the Statement of Internal Control.

## 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 & 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 & Wales at 31 March 2011 and of their income and expenditure, recognised gains and losses, assets and liabilities, 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 Head of the Department as Accounting Officer for Returning Officers' Expenses England & 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 & Wales, are set out in *Managing Public Money*, published by HM Treasury.

## **STATEMENT ON INTERNAL CONTROL**

### **1. Scope of responsibility**

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 in Departmental headquarters, including the Elections and Democracy Division (EDD) and the Department for Communities and Local Government's (DCLG) Finance Shared Services Division (FSSD).

EDD 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.

To the extent that controls are delegated to both EDD and DCLG, I place reliance upon the assurance provided by them in support of this Statement on Internal Control. This includes particular reliance on the Statement of Assurance that Sir Bob Kerslake provided on 5 May 2011 which confirms that DCLG have a sound system of internal control in place which ensures the efficient and effective management of and proper accounting for the services provided to the Cabinet Office by the Finance Shared Services Division.

### **2. The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the Department for the year ended 31 March 2011, and up to the date of approval of the statement of accounts, and accords with HM Treasury guidance.

### **3. Capacity to handle risk**

As Accounting Officer, I acknowledge my overall responsibility for the effective management of risk throughout the Department. Further details on the Department's capacity to handle risk is set out in the

Statement on Internal Control in the Cabinet Office Annual Report and Accounts 2010-11. A link to the accounts is provided below:

<http://www.cabinetoffice.gov.uk/sites/default/files/resources/resource-accounts-2010-11.pdf>

The Cabinet Office Audit and Risk Committee (COARC) continued to provide the Cabinet Office Management Board with an independent opinion on audit, risk and assurance. This role included looking at and commenting on the statement of internal control and the accounts before I signed them off.

Risk management is also incorporated into FSSD's day-to-day activities and forward planning. Risk assessments are carried out in accordance with the DCLG risk management guidance and, in relation to the delivery of business objectives, a risk register is maintained and reviewed as part of the business planning and performance reporting process.

#### **4. The risk and control framework**

The department manages risk for financial, strategic and compliance controls throughout its governance arrangements. Further details can be read in the Statement on Internal Control in the Cabinet Office Annual Report and Accounts 2010-11. A link to the accounts is provided below:

<http://www.cabinetoffice.gov.uk/sites/default/files/resources/resource-accounts-2010-11.pdf>

DCLG (FSSD) provide an annual assurance statement in respect of the financial services provided by them to the Ministry of Justice. I also draw assurance from the work carried out as part of the DCLG Internal Audit programme and the DCLG Statement on Internal Control.

EDD has created and is responsible for maintaining a register which identifies and captures the risks associated with Returning Officers' expenditure at UK Parliamentary and European Parliamentary elections. The risks contained on the register are regularly viewed to ensure that appropriate remedial action has been identified and put in place.

#### **5. Internal Audit**

COARC scrutinises and challenges management of risks to provide independent assurance to the Board and to myself as Accounting Officer. Internal Audit will be carrying out a review in the 2011-12 financial year on the governance, risk management and control arrangements which are in place over the settlement of Returning Officers' expenses.

The Review will also consider the efficiency and cost effectiveness of the current process for dealing with anomalous items of Returning Officers' expenditure. The results of the review will help to inform the governance arrangements which are put in place for future UK Parliamentary and European Parliamentary elections.

## **6. 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 EDD and in addition comments made by the external auditors in their management letter and other reports. The key elements of the system of internal control are set out in section 3 above and contribute to my review of the system's effectiveness.

I outline below a review of the effectiveness of internal control over the following elements of the process during the reporting period and prior to me signing these accounts:

- (i) The timing of the submission of claims by Returning Officers;
- (ii) Monitoring of the service level agreement with DCLG; and
- (iii) Ensuring that value for money judgements are made by Returning Officers on all expenditure which is incurred for the polls.

### **(i) The timing of the submission of claims by Returning Officers**

The completion and submission of claims has been a particularly problematic issue in previous years with a number being submitted late – sometimes many years after the due date. This was remedied for the claims for the 2009 European Parliamentary elections with a stricter regime using the available levers (of which there are few given the independence of Returning Officers) of refusing to pay outstanding balances and reducing future advances.

It is disappointing to report that even though we applied the same levers for the 2010 UK Parliamentary elections, claims from 18.8% of Acting Returning Officers were still outstanding after the twelve month deadline for submitting accounts under the Returning Officers' Accounts (Parliamentary Elections) (England and Wales) Regulations 2010 passed on 6 May 2011. Whilst 44 of these claims had been submitted (without prior approval being given from the Department) electronically, this left a total of 73 claims where the Department had no evidence to support that the advances paid to Acting Returning Officers prior to the poll had indeed been applied to the purposes intended by Parliament.

As per the service level agreement between DCLG and the Cabinet Office, a reminder letter was sent to the Returning Officers who had not submitted their claim for the 2010 UK Parliamentary elections before the 6 May 2011 deadline. Further reminder letters were sent out by DCLG on behalf of the Cabinet Office on 1 April 2011 and 3 May 2011 to reinforce the importance of Returning Officers submitting their claims on time and the sanctions which they would face if they failed to do so.

In addition to this, after the 6 May 2011 deadline passed, the Cabinet Office sent out a further letter on 20 May 2011 which confirmed the sanctions which would be imposed on any Acting Returning Officers who submitted their claims any later than the middle of June. This included taking action to require all

unaccounted monies held by each Acting Returning Officer to be returned to the Cabinet Office with immediate effect. This letter was subsequently followed up with individual letters and telephone calls on 6 June 2011 to eight Returning Officers whose claims were outstanding.

The measures which were taken were successful in ensuring that hard copies of all claims for the 2010 UK Parliamentary election were received by the middle of June. Maintaining direct contact with Returning Officers before and after the 6 May 2011 deadline was particularly important in helping to ensure that all claims were received without any major delays or impact on the Cabinet Office's overall accounts.

On 26 October 2011, the Cabinet Office wrote out to all Returning Officers who had failed to submit the hard copy of their claim by 6 May 2011 (without the agreement of the Cabinet Office) to inform them of the following sanctions which will be imposed for the next set of elections which are funded by Central Government;

- (i) For those Acting Returning Officers who failed to submit their claims (via electronic or hard copy) by 6 May 2011 without contacting the Cabinet Office, the level of advance for the Police and Crime Commissioner elections in November 2012 will be reduced from 75% to 50%; and
- (ii) For those Acting Returning Officers who either submitted electronic copies of their UK Parliamentary election claim to the Electoral Claims Unit by either the statutory deadline or with the agreement of the Cabinet Office a revised deadline set by the Cabinet Office, their level of advance for the Police and Crime Commissioner Elections in November 2012 will be reduced from 75% to 65%.

In areas, where Police and Crime Commissioner elections are not taking place in November 2012 (principally London) the above sanctions will be applied to Returning Officers for the 2014 European Parliamentary elections.

The sanctions are aimed as a measure to re-emphasise the importance of Returning Officers submitting their claims on time and to ensure greater compliance in meeting deadlines for future polls.

Any Returning Officers who fail to submit their claims for the Police and Crime Commissioner elections in 2012 in accordance with deadlines prescribed by the Home Office will receive reduced advances for the 2014 European Parliamentary elections. This approach enables the sanction to take effect in the swiftest possible time after it has been imposed which will help to reinforce the message to Returning Officer's that penalties will be applied in circumstances where the claims are not submitted by the statutory deadline.

## **(ii) Monitoring of the service level agreement with DCLG**

The Department holds monthly monitoring meetings with DCLG to ensure that both the Cabinet Office and DCLG meet their respective responsibilities. This has been supplemented by regular telephone and email contact by the Cabinet Office, visits to DCLG's offices at Hemel Hempstead, and guidance and training for DCLG staff in the management of the new arrangements.

The Service level agreement with DCLG for the services of the Elections Claims Unit (ECU) will be reviewed in 2011-12 to take into account the lessons which have been learned following the receipt and processing of the claims from the 2009 European Parliamentary and 2010 UK Parliamentary elections. The review will also take into account any comments which are put forward by Internal Audit and the National Audit Office.

### **(iii) Regularity, Propriety and Value for Money**

EDD 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 take 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 overspend, overspends on particular elements of the poll or in circumstances where novel or unusual spends are identified.

Upon the receipt of the claims from ECU, the Cabinet Office has taken forward additional work with Returning Officers to explore the reasons behind the overspends 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 judgements 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 greater value for money judgements to be undertaken for future polls.

Whilst many Returning Officers (ROs) and their teams have found this onerous, EDD 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.

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

### **(i) Advances**

Applications for further advances (beyond 60%) 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 later than six months 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.

**(ii) Timetable for submitting claims**

We are looking at the case for reducing the timetable for submitting claims from 12 months to 8 months. This is largely due to the evidence we have collected suggesting 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. 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 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 intention is to require Returning Officers to pay back the advances which they received before the poll to the Consolidated Fund via Cabinet Office with immediate effect.

We will also look to see whether it is possible to set this sanction and other penalties which Returning Officers will face if they fail to meet the statutory deadline under the respective Accounts Regulations for UK Parliamentary and European Parliamentary elections. This will ensure that clarity is provided on the sanctions which will be applied from the outset of the process if Returning Officers fail to submit their claims in accordance with the statutory timeframes.



**Sir Gus O'Donnell GCB**

Accounting Officer

Secretary of the Cabinet and

Head of the Civil Service

28 November 2011

## **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 & Wales) for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These 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 the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with the 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 & 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.

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

### **Opinion on Regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 2011 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 'Foreword - Introduction' and 'Foreword – Management Commentary' sections as identified in the contents page 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
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

### **Amyas C E Morse**

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
8 December 2011

## Statement of Comprehensive Net Expenditure

for the year to 31 March 2011

£		2010-11	2009-10 Restated <sup>1</sup>
	<b>Note</b>		
<b>Programme costs</b>			
Election expenses	3	99,264,560	90,585,936
Bank charges		1,489	1,360
<b>Total expenditure</b>		<b>99,266,049</b>	<b>90,587,296</b>
Income payable to the Consolidated Fund	4	(880,981)	(384,923)
<b>Total Comprehensive Net Expenditure for the year ended 31 March 2011</b>		<b>98,385,068</b>	<b>90,202,373</b>

<sup>1</sup>See Note 2

Notes 1 to 12 form part of these accounts

## Statement of Financial Position

as at 31 March 2011

£		As at 31 March 2011	As at 31 March 2010 Restated <sup>1</sup>	As at 1 April 2009 Restated <sup>1</sup>
	<b>Note</b>			
<b>Current assets</b>				
Trade and other receivables	5	48,592,341	35,551,756	2,833,718
Cash and cash equivalents	6	27,578,143	13,480,312	2,130,109
<b>Total current assets</b>		<b>76,170,484</b>	<b>49,032,068</b>	<b>4,963,827</b>
<b>Current liabilities</b>				
Trade and other payables	7	(73,794,275)	(43,530,484)	(3,279,873)
<b>Total assets less current liabilities</b>		<b>2,376,209</b>	<b>5,501,584</b>	<b>1,683,954</b>
<b>Taxpayers' Equity</b>				
General fund		2,376,209	5,501,584	1,683,954
<b>Total taxpayers' equity</b>		<b>2,376,209</b>	<b>5,501,584</b>	<b>1,683,954</b>

<sup>1</sup>See Note 2



**Sir Gus O'Donnell GCB**

Accounting Officer

Secretary of the Cabinet and

Head of the Civil Service

28 November 2011

Notes 1 to 12 form part of these accounts

## Statement of Cash Flows

for the year ended 31 March 2011

£	2010-11	2009-10 Restated <sup>1</sup>
	<b>Note</b>	
<b>Cash flows from operating activities</b>		
Net operating cost	(98,385,068)	(90,202,373)
Increase in trade and other receivables	5 (13,040,585)	(32,718,038)
Increase in trade and other payables	7 30,263,791	40,250,610
<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	7 (5,546,929)	1,938
<b>Net cash outflow from operating activities</b>	<b>(86,708,791)</b>	<b>(82,667,863)</b>
<b>Cash flows from financing activities</b>		
From the Consolidated Fund for Standing Services (non-Supply)	101,855,271	95,300,000
<b>Net financing</b>	<b>101,855,271</b>	<b>95,300,000</b>
<b>Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>	<b>15,146,480</b>	<b>12,632,137</b>
Non-voted receipts surrendered to the Consolidated Fund	(1,048,649)	(1,281,934)
<b>Net increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	<b>14,097,831</b>	<b>11,350,203</b>
<b>Cash and cash equivalents at the beginning of the period</b>	6 <b>13,480,312</b>	<b>2,130,109</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>27,578,143</b>	<b>13,480,312</b>

<sup>1</sup>See Note 2

Notes 1 to 12 form part of these accounts

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

£		As at 31 March 2011	As at 31 March 2010 Restated <sup>1</sup>	As at 1 April 2009 Restated <sup>1</sup>
	Note			
<b>Balance at 1 April</b>		<b>5,501,584</b>	<b>1,683,954</b>	<b>3,471,568</b>
Consolidated Fund Standing Services		101,855,271	95,300,000	550,000
Non-voted receipts surrendered to the Consolidated Fund		(1,048,649)	(1,279,997)	(20,268)
Non-voted receipts surrenderable to the Consolidated Fund	7	(5,546,929)	-	(1,938)
Comprehensive Net Expenditure for the year		(98,385,068)	(90,202,373)	(2,315,408)
<b>Balance at 31 March</b>		<b>2,376,209</b>	<b>5,501,584</b>	<b>1,683,954</b>

<sup>1</sup>See Note 2

Notes 1 to 12 form part of these accounts

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

### 1. Statement of accounting policies

This statement of accounts has been prepared in accordance with the 2010-11 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards 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 the most appropriate for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below and have been applied consistently in dealing with items that are considered material to the statement of accounts. The statement of accounts is presented in sterling.

#### 1.1 Accounting convention

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

#### 1.2 Restated amounts

An accounting policy change was introduced on 1 April 2010 when HM Treasury required that notional costs should no longer be recorded for cost of capital. A cost of capital credit has been removed from the prior year account and comparatives have been restated with corresponding adjustments being made to the general fund. Further details may be found at Note 2.

#### 1.3 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 include advances to Returning Officers and amounts owed by Returning Officers and prepayments.

##### *Advances to Returning Officers*

Prior to an election, advances are made to Returning Officers and are recognised as receivables in the accounts until expense claims are settled at which point they are charged to operating cost.

If Returning Officers have spent more than the amount advanced to them, they will be reimbursed accordingly. Unless however, they have failed to submit an expense claim within agreed deadlines and sanctions are applied against them, in which case 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.

### **1.4 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.

### **1.5 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.

#### *Accrual for election expenses*

On the date of making an advance to Returning Officers, an accrual is raised for the maximum recoverable amount for their constituency as listed in the Charges Order. Accruals are reversed in full against the operating cost upon settlement of each Returning Officer's actual expense claim. 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.

#### *Cash received from Returning Officers in respect of unsettled claims*

Returning Officers may attach a cheque upon submission of their expense claim in cases where they have spent less than the amount originally advanced to them. These cheque receipts are recorded as a liability to the Returning Officers until their claims have been checked, at which point their cheques are recognised as settlement of the invoice raised upon them and offset against the debtor.

#### *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.

Excess funding from the Consolidated Fund for standing services is classified as non-voted receipts which are surrenderable to the Consolidated Fund. Excess funding arises in cases where Returning Officers claim less than the maximum recoverable amount for their constituency as listed in the Charges Order.

Excess funding is calculated when almost all claims have been settled to Returning Officers and represents the saving against the budgeted cost of the election. It may also be calculated on a case by case basis for each Returning Officer where sanctions have been applied as a result of claims being

submitted exceptionally late beyond the agreed deadline. Where those deadlines were not met and no acceptable reason was given for the claims not being submitted, then it was decided that no further payments would be made to Returning Officers in respect of those claims.

## **1.6 Contingent liabilities**

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*.

## **1.7 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 direct frontline service provision.

## **1.8 Income payable to the Consolidated Fund**

Bank interest earned on advances held by Returning Officers and 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.

## **1.9 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.

## **1.10 Impact of accounting standards issued but not yet effective**

Certain new standards, interpretations and amendments to existing standards have been published whose application will be required on or after 1 April 2011 or later periods, following EU-adoption and as applied by the *FReM*. Any new accounting standard in issue but not yet effective has not been applied to this statement of accounts.

Those standards, interpretations and amendments which are not currently expected to have a significant impact on the financial statements, are as follows:

### **IFRS 9 'Financial Instruments' (effective 1 January 2013)**

IFRS 9 represents the first phase of the IASB's project to replace IAS 39 *'Financial Instruments: Recognition and Measurement'*. It sets out the classification and measurement criteria for financial

assets and financial liabilities and requires all financial assets, including assets currently classified under IAS 39 as available-for-sale, to be measured at fair value through the Statement of Comprehensive Net Expenditure unless the assets can be classified as held at amortised cost. Qualifying equity investments held at fair value may have their fair value changes taken through other comprehensive expenditure by election.

**Improvements to IFRSs 2010 (effective 1 January 2011)**

This is the third set of amendments published under the IASB's annual improvements process and incorporates minor amendments to seven standards and interpretations.

**Amendments to IAS 24 'Related Party Disclosures' (effective 1 January 2011)**

These amendments clarify the definition of a related party and simplify the disclosure requirements for related parties that are controlled, jointly controlled or significantly influenced by a government.

**Amendments to IFRS 7 'Financial Instruments: Disclosures' (effective 1 July 2011)**

These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

**IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective 1 January 2011)**

The Interpretation provides guidance on accounting when an entity renegotiates the terms of a financial liability with its creditor resulting in the liability being extinguished through issuing its own equity instruments to the creditor.

**IFRIC 14 'Prepayments of a Minimum Funding Requirement' (effective 1 January 2011)**

The amendment allows, in certain circumstances, an entity to treat the prepayment of future contributions to a pension scheme where there is a minimum funding requirement as an asset.

## 2. Restatement of prior year comparatives

Prior year comparatives have been restated for a change in accounting policy. HM Treasury require that notional costs should no longer be recorded for cost of capital. Accordingly, the cost of capital credit of **£147,435 (2009-10: £65,295)** has been removed.

£	2009-10 Published Accounts	Accounting Policy Change	2009-10 Restated
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### Statement of Comprehensive Net Expenditure for the year to 31 March 2010

#### Programme expenditure

Election expenses	90,585,936	-	90,585,936
Bank charges	1,360	-	1,360
Cost of capital	(147,435)	147,435	-

<b>Total expenditure</b>	<b>90,439,861</b>	<b>147,435</b>	<b>90,587,296</b>
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#### Programme income

Income payable to the Consolidated Fund	(384,923)	-	(384,923)
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<b>Total income</b>	<b>(384,923)</b>	<b>-</b>	<b>(384,923)</b>
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<b>Total Comprehensive Net Expenditure</b>	<b>90,054,938</b>	<b>147,435</b>	<b>90,202,373</b>
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### Statement of Financial Position as at 31 March 2010

#### Total net assets

Trade and other receivables	35,551,756	-	35,551,756
Cash and cash equivalents	13,480,312	-	13,480,312
Trade and other payables	(43,530,484)	-	(43,530,484)

<b>5,501,584</b>	<b>-</b>	<b>5,501,584</b>
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#### Taxpayers' equity

General fund	5,501,584	-	5,501,584
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<b>5,501,584</b>	<b>-</b>	<b>5,501,584</b>
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## 2. Restatement of prior year comparatives (continued)

£	2009-10 Published Accounts	Accounting Policy Change	2009-10 Restated
<b>Statement of Cash Flows</b>			
<b>for the year ended 31 March 2010</b>			
<b>Cash flows from operating activities</b>			
Net operating cost	(90,054,938)	(147,435)	(90,202,373)
Adjustments for non-cash transactions	(147,435)	147,435	-
Increase in trade and other receivables	(32,718,038)	-	(32,718,038)
Increase in trade and other payables	40,250,610	-	40,250,610
<i>Less movements 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	1,938	-	1,938
<b>Net cash outflow from operating activities</b>	<b>(82,667,863)</b>	<b>-</b>	<b>(82,667,863)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund for Standing Services – (non-Supply)	95,300,000	-	95,300,000
<b>Net financing</b>	<b>95,300,000</b>	<b>-</b>	<b>95,300,000</b>
<b>Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>			
Non-voted receipts surrenderable to the Consolidated Fund	(1,281,934)	-	(1,281,934)
<b>Net increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	<b>11,350,203</b>	<b>-</b>	<b>11,350,203</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,130,109</b>	<b>-</b>	<b>2,130,109</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>13,480,312</b>	<b>-</b>	<b>13,480,312</b>

## 2. Restatement of prior year comparatives (continued)

£	Published Accounts at 31 March 2009	Accounting Policy Change	Restated at 1 April 2009
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### Statement of Financial Position as at 1 April 2009

#### Total net assets

Trade and other receivables	2,833,718	-	2,833,718
Cash and cash equivalents	2,130,109	-	2,130,109
Trade and other payables	(3,279,873)	-	(3,279,873)
	<b>1,683,954</b>	<b>-</b>	<b>1,683,954</b>

#### Taxpayers' equity

General fund	1,683,954	-	1,683,954
	<b>1,683,954</b>	<b>-</b>	<b>1,683,594</b>

### 3. Election expenses

£	2010-11	2009-10
<b>UK Parliamentary General Election 2010</b>		
Conduct of the poll	70,413,992	-
Royal Mail – delivery of candidates' mailings	28,655,271	-
	<b>99,069,263</b>	-
<b>UK Parliamentary By-elections</b>		
<b>2009</b>		
Conduct of the poll	27,640	78,846
Royal Mail – delivery of candidates' mailings	-	162,651
<b>2010</b>		
Conduct of the poll	259,523	-
Royal Mail – delivery of candidates' mailings	94,292	-
	<b>381,455</b>	<b>241,497</b>
<b>European Parliamentary Election 2009</b>		
Conduct of the poll	-	62,238,737
Conduct of the poll – reversal of prior year accrual upon settlement of claims	(8,484,412)	-
Conduct of the poll – lump sum accrual reduction taken in advance of settlement of claims	8,223,709	(8,223,709)
Royal Mail – delivery of candidates' mailings	-	35,439,760
Insurance	12,974	159,516
Equipment grants	61,571	687,215
	<b>(186,158)</b>	<b>90,301,519</b>
<b>Prior Year Elections</b>		
Write back of accruals for late claims not settled	-	42,920
<b>Total</b>	<b>99,264,560</b>	<b>90,585,936</b>

The Charges Orders which are made prior to UK Parliamentary General and European Parliamentary elections set out the maximum recoverable amounts which Returning Officers are entitled to recover for their services and the expenses which they incur for conducting the respective polls. The expenses for the poll include the cost of polling stations, postal voting, poll cards and the count.

Further explanation is set out in the Management Commentary.

#### 4. Income payable to the Consolidated Fund

£	2010-11	2009-10
<b>Forfeited deposits</b>		
<b>2009</b>		
European Parliamentary Election	-	375,000
UK Parliamentary By-election	-	3,500
<b>2010</b>		
UK Parliamentary General Election	874,500	-
UK Parliamentary By-elections	5,000	-
<b>Bank interest</b>	1,481	6,423
<b>Total</b>	<b>880,981</b>	<b>384,923</b>

Deposits are forfeited by those candidates who fail to obtain one twentieth of the total votes cast at UK Parliamentary elections and one fortieth of the votes cast at European Parliamentary elections. Returning Officers are responsible for returning the deposits to the Consolidated Fund via the Cabinet Office within twenty hours of the result of the respective polls being announced.

Bank interest is earned by Returning Officers who place their advances on an interest bearing bank account prior to disbursements for expenditure in the conduct of the poll.

These receipts are classified as non-voted receipts which are surrenderable to HM Treasury's Consolidated Fund. Further explanation is set out in the Management Commentary.

## 5. Trade and other receivables

£	As at 31 March 2011	As at 31 March 2010	As at 1 April 2009
Advances to Returning Officers - claims not yet settled	48,471,714	35,519,143	2,800,185
Amounts owed by Returning Officers - advances exceed claims	120,627	19,639	33,533
Prepayments	-	12,974	-
<b>Total</b>	<b>48,592,341</b>	<b>35,551,756</b>	<b>2,833,718</b>

The balance at 31 March 2011 of **£48,592,341** comprises **£42,111,325** in respect of the 2010 UK General Election, **£6,286,374** in respect of the 2009 European Election and **£194,642** in respect of UK By-elections. Further explanation is set out in the Management Commentary.

## 6. Cash and cash equivalents

£	As at 31 March 2011	As at 31 March 2010	As at 1 April 2009
Balance at 1 April	13,480,312	2,130,109	6,756,545
Net change in cash and cash equivalent balances	14,097,831	11,350,203	(4,626,436)
<b>Balance at 31 March</b>	<b>27,578,143</b>	<b>13,480,312</b>	<b>2,130,109</b>

The following balances at 31 March were held at:

Government Banking Service	27,578,143	13,480,312	2,130,109
<b>Balance at 31 March</b>	<b>27,578,143</b>	<b>13,480,312</b>	<b>2,130,109</b>

The balance at 31 March 2011 of **£27,578,143** comprises **£19,692,520** in respect of the 2010 UK General Election, **£7,214,436** in respect of the 2009 European Election, **£95,744** in respect of UK By-elections and **£575,443** in respect of prior year elections.

## 7. Trade and other payables

£	As at 31 March 2011	As at 31 March 2010	As at 1 April 2009
Accrued election expenses	68,181,831	43,490,588	3,274,779
Non-voted receipts surrenderable to the Consolidated Fund	5,546,929	-	1,938
Cash received from Returning Officers in respect of unsettled claims	65,515	21,306	-
Approved grants due to Returning Officers	-	18,590	3,156
<b>Total</b>	<b>73,794,275</b>	<b>43,530,484</b>	<b>3,279,873</b>

The accrual for election expenses at 31 March 2011 of **£68,181,831** comprises **£59,339,650** in respect of the 2010 UK General Election, **£8,582,658** in respect of the 2009 European Election and **£259,523** in respect of the 2010 UK By-elections.

Non-voted receipts of **£5,546,929** surrenderable to the Consolidated Fund at 31 March 2011 represent under spends to date against the overall funding drawn from the Consolidated Fund; **£4,884,639** for 2009 European Election, **£30,863** for Norwich North UK By-election, **£55,984** for 2010 UK General Election and **£575,443** relating to previous elections. Further explanation is set out in the Management Commentary.

## 8. Financial instruments

International Financial Reporting Standard 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.

## **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 amounts are unquantifiable. At 31 March 2011, none of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote.

### **Acting Returning Officers – UK Parliamentary General Election May 2010**

Cabinet Office has provided an indemnity to the Acting Returning Officers in respect of the 2010 Parliamentary General Election for any costs which fall outside of the scope of the insurance cover which they have arranged locally and where all other forms of recourse have been exhausted. It will be largely confined to covering "Acts of God" and unforeseen circumstances which are not included under the insurance policies which the Acting Returning Officers have in place. This indemnity will be limited to the extent that:

- it will not cover costs which arise in whole or part from any deliberate or wilful negligence by an Acting Returning Officer;
- it will not generally cover any excess costs which the Acting Returning Officer has negotiated on his/her insurance policy (although individual claims for excess costs will be judged on their merit); and
- it will not cover situations where the Acting Returning Officer's insurance policy offers an alternative means of cover.

The indemnity remained in place until 3rd July 2011, being 13 months after the latest possible date for the 2010 general election to have been called.

The indemnity covers all claims made within that period, regardless of when they are finally settled (Minute laid on 22 March 2010).

No claims have been made against this indemnity.

### **Regional and Local Returning Officers - European Parliamentary Elections June 2009**

The Cabinet Office has provided an indemnity to Regional and Local Returning Officers for the European Parliamentary Elections held in June 2009. The indemnity is for amounts not covered by commercial insurance policies. The indemnity provides unlimited cover for amounts excluded by the excess on insurance policies, damages or costs that exceed insurance limits and any reasonable expenses that fall outside of the scope of insurance policies. The indemnity is effective for the period of the insurance policies from 12 May 2009 to 11 July 2010 (Minute laid on 9 June 2009).

*Isles of Scilly and the South West Region*

The Department has been notified that the Local Returning Officer for the Isles of Scilly and the Regional Returning Officer for the South West Region will be making a claim against the indemnity which was provided for the 2009 European Parliamentary election. The claim (which is unlikely to exceed £40,000) is for legal and travel costs relating to legal action which an individual brought against the Local Returning Officer for the Isles of Scilly after his postal vote was rejected at the election. The claim against the indemnity was officially received on 11 July 2011 and will be processed during 2011-12.

There are no other material contingent liabilities at 31 March 2011 for inclusion for parliamentary reporting and accountability purposes.

## **10. Losses and special payments**

There are no losses and special payments to report.

## **11. Related party transactions**

No members of staff within the Cabinet Office and the Department for Communities and Local Government had undertaken any material transactions with Returning Officers.

## **12. Events after the reporting period**

In accordance with the requirements of International Accounting Standard 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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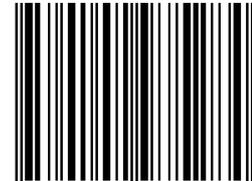
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