

# **The Electoral Commission**

## **Resource accounts 2006–07**

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# 1. Foreword

1.1 The Electoral Commission is an independent body that was set up under the Political Parties, Elections and Referendums Act 2000. The Commission is independent of Government and political parties and is directly accountable to Parliament through a committee chaired by the Speaker of the House of Commons.

1.2. The Commission's 2006–07 resource accounts are prepared in accordance with an accounts direction, set out on page 57, issued by HM Treasury under paragraph 17 (2) of Schedule 1 to the Political Parties, Elections and Referendums Act 2000.

## Mission, aim and objectives for 2006–07<sup>11</sup>

1.3. The Commission's mission was to foster public confidence and participation in the democratic process in the UK.

1.4. Our aim was to promote:

- **integrity**
- **involvement** and
- **effectiveness**

in the democratic process.

1.5 Our objectives were:

1. Confidence and participation in the democratic process
2. Fair arrangements for elections delivered to consistently high standards
3. Transparency in the finances of political parties and candidates effectiveness
4. A modern, efficient and effective Electoral Commission that is well regarded in the wider community

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<sup>1</sup> The Commission has set out a new aim and objectives for 2007–08 and beyond. Going forward, our aim is:  
Integrity and public confidence in the UK's democratic process.

Our objectives are:

1. Integrity and transparency of party and election finance
2. Complete and accurate electoral registers supported by a well-run electoral registration process
3. Well-run elections and referendums which produce results that are accepted
4. Public understanding of the way our democracy works
5. Fair boundary arrangements for elections

1.6 The cost, and associated income, of the Commission's work in meeting these aims is shown in the statement of operating costs by aims and objectives on page 35 of the accounts.

1.7 The Commission's current *Corporate plan 2007–8 to 2011–12* (HC474) approved by the Speaker's Committee is available at [www.electoralcommission.org.uk](http://www.electoralcommission.org.uk)

## Main activities

1.8 The Commission is responsible for:

- registering political parties
- making sure people understand and follow the rules on party and election finance
- publishing details of where parties and candidates get money from and how they spend it
- setting the standards for running elections and reporting on how well this is done
- making sure people understand it is important to register to vote, and know how to vote
- making sure boundary arrangements for local government in England are fair

## Management commentary

### Going concern note

1.9 The balance sheet at 31 March 2007 shows negative taxpayers' equity of £1,546,000. The future financing of the Commission's liabilities is to be met by grants of supply approved annually by Parliament. Approval for amounts required for 2007–08 has already been given and there is no reason to believe that future approvals will not be forthcoming. Therefore it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### Investment and funding

1.10 As an independent public body, the Commission is accountable to Parliament for its expenditure. Parliamentary approval for its spending plans was sought through a Supply Estimate (HC 1039) presented to the House of Commons, specifying the estimated expenditure and requesting the necessary funds to be voted. The Commission drew down voted funds during the year from the Consolidated Fund as required.

1.11 The Estimate was structured by request for resources (RfR) and included a formal description or ambit of the services to be financed under the RfR.

1.12 The Commission had one request for resources for 2006–07: RfR 1. In these Accounts, the Statement of Parliamentary Supply shows outturn figures against the Estimate.

1.13 The cash flow statement analyses the net cash flow from operating activities; identifies cash spent by the Commission on capital expenditure and investment; records what Consolidated Fund Extra Receipts (CfERs) were collected and paid over to HM Treasury; and shows the funding that the Commission drew down from the Consolidated Fund in order to finance its activities during the year.

## Performance for the year

1.14 As set out in the Statement of Parliamentary Supply on page 29, Parliament approved the Commission's net resources in 2006–07 to enable the Commission to carry out its statutory functions.

1.15 During 2006–07 the Commission's key achievements included:

- publishing the first comprehensive information on loans to political parties in the UK, initially on the basis of a voluntary code produced by the Commission and subsequently enforcing new legislation
- beginning to introduce a new risk-based approach to regulation of political parties
- checking and publishing details of almost £44.7m of donations to and over £60.7m of new and outstanding borrowing by, political parties
- providing independent evaluation reports on 15 electoral pilot schemes and reporting on the administration of the May 2006 local elections in England
- contributing to the work of Parliament by giving evidence to Select Committees and providing briefing on a range of issues, including the provisions of the Electoral Administration Act 2006
- providing information to enable the Speaker's Committee to respond to over 93 Parliamentary Questions from Members of Parliament on a wide range of issues, answering 240 letters from MPs and peers and just over 2,400 letters and emails and almost 3,700 phone calls from members of the public
- offering expert comment on the drafts of over 20 new statutory instruments proposed by the Government, before Parliamentary scrutiny
- providing accessible information to nearly 22 million electors ahead of the May 2006 local elections in England, including targeted information for young people and overseas and service voters
- contributing to the development of election management and regulation of party finances around the world through contacts with more than 25 countries, hosting an international conference on effective regulation of political finances and seconding staff to undertake election observation overseas
- opening a network of offices in the regions of England to help deliver our new responsibilities under the Electoral Administration Act 2006, including the development of performance standards for electoral services; and to support

Electoral Registration Officers and Returning Officers in discharging their new responsibilities under the Act

- undertaking a trial of more intensive support to electoral administrators during the 2006 English local elections, which involved the secondment of Commission staff to work with leading Returning Officers in four regions of England
- bringing together police, prosecutors, political parties and Returning Officers to help develop and promote various strategies to prevent electoral malpractice, such as guidance to and training for police forces, an agreed Code of Conduct with major political parties and enhanced support and advice to Returning Officers
- completing 15 reviews of electoral arrangements in English local authority areas, and making 33 orders for parish electoral arrangements

1.16 In achieving its objectives the Commission used £22.3m **resources**. This amount was £4.0m (or 15%) less than the sum of £26.2m approved by Parliament in the Commission's Supply Estimate for the net resource requirement. The amount originally approved included provision for new responsibilities expected to arise under the Electoral Administration Act 2006. In the event, however, not all of these responsibilities were contained in the Act as finally passed. The under-spend was mainly due to:

- the Commission not incurring expenditure of £1.275m in 2006-07 on evaluating pilots of personal identifiers for absent voting as originally expected
- reduced expenditure on public awareness campaigns of some £0.5m on account of efficiency savings made by merging two campaigns, for registration and voting, into one
- savings through migration to online publication and efficient management of existing stock
- savings made as part of the Commission's forward planning, by cutting back spending in 2006-07 in areas of work which it does not plan to continue in 2007-08.

1.17 The Commission required **cash** amounting to £21.6m in 2006-07 to finance its activities which was £4.9m less than the sum of £26.5m approved by Parliament in the Commission's Supply Estimate; note 2 of the accounts provides a reconciliation between resources approved and cash requirement.

## Going forward

1.18 The Commission's Supply Estimate for 2007-08) (HC441) provides for a net resource requirement of £23.95m. The key factors influencing the resources required by the Commission during 2007-08 are:

- continuing to maintain and publish information about political parties and their finances
- ensuring that parties, candidates and others understand and follow the rules on party and election finance

- setting standards for running elections and reporting on how well this is done; in particular, introducing a framework of performance standards in relation to electoral registration
- providing support, advice and training for those involved in delivering elections
- making sure people understand it is important to register to vote, and know how to vote
- making sure boundary arrangements for local government in England are fair
- making grants to eligible parties for policy development
- maintaining a programme of research to support and inform the Commission's work

1.19 The Commission's corporate plan for the next five years sets a central purpose of **setting and guaranteeing** standards in key areas of democratic life in the UK. The Commission sets out to demonstrate and enhance its effectiveness as the regulator of party and election finance; and to implement its new role in setting and monitoring performance standards for electoral registration and electoral administration. It also notes that it is critical that the Commission establishes the scope of its future remit in relation to boundary reviews.

## The Speaker's Committee

1.20 The Speaker's Committee is established under Section 2(1) of the Political Parties, Elections and Referendums Act 2000 (the Act) to perform the functions conferred on it by that Act. Its functions include:

- examining the Commission's annual financial estimates and laying them before the House of Commons, with or without modification
- examining the Commission's five year plan and forward resource estimates and laying them before the House of Commons, with or without modification
- receiving the Commission's accounts
- receiving an annual report from the Comptroller and Auditor General on the economy, efficiency and effectiveness with which the Commission has used its resources
- designating the Commission's Accounting Officer
- reporting to the House of Commons, at least once a year, on how its has carried out its functions

1.21 The Speaker's Committee met in March 2007 to consider the Commission's Supply Estimate for the 2007–08 financial year. The corporate plan for 2007–08 to 2011–12 was also considered in March 2007. The plan was laid before the House of Commons in pursuance of paragraph 15(4) of Schedule 1 to the Act and published in May 2007. The Committee received two reports from the Comptroller and Auditor General, prepared under paragraph 16 of Schedule 1 to the Act, in May 2006 *Is the Public Aware of*

*Democracy and in May 2007 Electoral Registration: the Lynchpin of Democracy.*

1.22 The members of the Committee during the year were:

- Rt Hon Michael Martin MP, Speaker of the House of Commons (Chairman)
- Rt Hon Alan Beith MP, Chairman of the Constitutional Affairs Select Committee
- Rt Hon Lord Falconer of Thoroton QC, Secretary of State for Constitutional Affairs and Lord Chancellor
- Mr Phil Woolas MP, Minister for Local Government
- Lady Sylvia Hermon MP
- Rt Hon Sir Gerald Kaufman MP
- Mr Humfrey Malins CBE MP
- Mr Gary Streeter MP
- Mr Peter Viggers MP

The Secretary of the Speaker's Committee is Dr Christopher Ward.

1.23 The Speaker is *ex officio* chairman of the Speaker's Committee, and the chairman of the Constitutional Affairs Committee and the Secretary of State for Constitutional Affairs are *ex officio* members. The appointments of the Minister for Local Government, made by the Prime Minister under Section 2 (3) of the Act; and of the other five members, made by the Speaker under Section 2 (4), are (subject to the provisions of paragraph 2 of Schedule 2 to the Act) for the duration of the Parliament.

## Pensions

1.24 Under Schedule 1(5) of the Political Parties, Elections and Referendums Act 2000, the pension arrangements for the Electoral Commissioners may be provided for by the House of Commons in a resolution. The only provision made under this section is for the Chair of the Commission.

1.25 Employees of the Commission are eligible for membership of the Principal Civil Service Pension Schemes. These schemes include a choice between a defined benefit scheme and stakeholder pension. Liability rests with the Scheme, and not with the Commission. Benefits are paid from the Civil Superannuation Supply Estimate to which the Commission makes contributions to cover accruing pension entitlement for staff employed. Statements of Account for the Scheme are provided in the Cabinet Office Civil Superannuation Resource Accounts. Further details are provided in note 6 to the Accounts.

## Audit Committee

1.26 The Accounting Officer has established an Audit Committee to support him in discharging his formal accountability responsibilities by offering

objective advice and ensuring that the most efficient, effective and economic risk, control and governance processes are in place, and that the associated assurance processes are optimal. The Audit Committee also acts on behalf of the Electoral Commissioners to provide them with assurance on these issues.

1.27 The terms of reference were agreed by the Audit Committee at its meeting in March 2005. They are based on best practice guidelines from a variety of sources. The Committee meets at least four times a year but the Chair of the Committee may convene meetings as necessary, including at the request of the Accounting Officer, the Head of Internal Audit or the external auditor. The Committee reviews in particular:

- strategic processes for risk, control and governance and the statement of internal control
- accounting policies, the accounts and the annual report of the Electoral Commission, including the process for review of the accounts prior to submission for audit; levels of error identified; and management's letter of representation to the National Audit Office
- planned activity and results of the National Audit Office and internal audit
- adequacy of management response to issues identified by audit activity
- assurances relating to the corporate governance requirements for the Electoral Commission
- proposals for tendering for either external or internal audit services, or for the purchase of non-audit services from contractors who provide audit services

1.28 The members of the Committee during the year were:

- Sir Neil McIntosh CBE (Chair), Electoral Commissioner
- Karamjit Singh CBE, Electoral Commissioner
- John Quin, independent member

1.29 The Commission has reappointed Sir Neil McIntosh, Karamjit Singh and John Quin as members of the Audit Committee until 31 December 2007. The Audit Committee met on five occasions during the 2006–07 financial year and considered a number of specific matters.

## Early departure costs

1.30 The Commission meets the additional pension costs of any employees who retire before they reach normal pensionable age. The total pension liability up to the normal retiring age in respect of each employee is charged to the account in the year in which the employee takes early retirement and a provision for future payments is created.

## Accounting Officer

1.31 In accordance with Schedule 1(19) of the Political Parties, Elections and Referendums Act 2000, the Speaker's Committee has appointed the Chief

Executive as Accounting Officer of the Electoral Commission. His responsibilities as the Accounting Officer and for the Commission's system of internal control are set out separately on pages 24 to 27.

## Auditors

1.32 the Comptroller and Auditor General was appointed as the Electoral Commission's external auditor under Schedule 1 to the Political Parties, Elections and Referendums Act 2000 . As disclosed in note 7 to the accounts, a notional cost of £106,000 was incurred on audit services provided by the Comptroller and Auditor General (2005–06: £89,000). This includes both the cost of the audit of the financial statements of £51,000 (2005–06: £49,000) and cost of the annual statutory value for money study of the Commission of £55,000 (2005–06: £40,000).

1.33 Internal audit services during 2006–07 were provided by Sandwith Internal Audit Services.

## Policy for payment of suppliers

1.34 The Commission recognises the Confederation of British Industry's Prompt Payment Code and discloses the following information in accordance with Regulations SI 1997/571. The Commission's payment policy is that all undisputed invoices should be paid on the contractual due date or, where there is no contractual provision, within 30 days of receipt of a valid invoice. The calculation of payment performance for the year ended 31 March 2006 has been based on continuous monitoring of payments since the start of the year. On this basis, approximately 99.6% (2005–06: 96%) of payments met the policy criteria. The Commission did not incur any interest under the provisions of the Late Payment of Commercial Debts (Interest) Act 1998.

## Staff relations

1.35 The Commission is committed to communicating directly with all staff and taking into account their views on all matters affecting their employment. To enable the Commission and its staff to achieve this objective, a staff forum had been in place. However, following a staff vote at the end of 2006 negotiations with the Public and Commercial Services Union (PCS) were opened in order to agree and put in place a recognition agreement with the union for staff representation. Staff involvement is also actively encouraged as part of the day-to-day process of line management and information on current and prospective developments is widely disseminated.

## Occupational health and safety report

1.36 The Commission's health and safety policy is published and is available to all staff. In addition, procedures and risk assessments are in place covering the Commission's core activities.

1.37 Health and safety management responsibilities are borne by the Health and Safety Committee and line managers within the Commission. The Committee meets on a quarterly basis and reports to the Management Team.

1.38 The Commission initiates independent health and safety audits at all of its premises each year. In addition, the internal auditor reviews the Commission's compliance with statutory and regulatory requirements in this area and reports its findings to the Health and Safety Committee for consideration and action as appropriate.

## Environmental policy

1.39 Among the initiatives which the Commission has taken in relation to environmental matters are:

- forming a 'green team' of staff volunteers with a personal interest in environmental matters
- saving paper by making double-sided printing standard practice
- encouraging energy conservation throughout the Commission's offices
- purchasing a greater proportion of stationery and consumables made from recycled materials
- encouraging greater use of video and telephone conferencing to reduce the need for travel and overnight stays
- publishing details of best practice to encourage staff to be more environmentally aware of their actions and the results of those actions
- working with the Commission's building landlords to develop and participate in environmental initiatives
- developing an environmental policy statement
- investigating the practicalities of implementing a 'cycle to work' scheme encouraging publications to be printed on recycled paper

## Equal opportunities and diversity

1.40 The Commission is committed to the principle of equality of opportunity and values diversity. It opposes all forms of discrimination and is committed to the principle that no job applicant or employee shall face discrimination. The Commission has equality schemes covering race, disability and gender. It also has a separate equality scheme for Northern Ireland.

## Disability

1.41 The Commission is committed to ensuring that disability is not a bar to recruitment or to advancement and has successfully achieved the 'Two Ticks' Disability Symbol. The symbol is awarded to employers who have agreed to meet five commitments regarding the recruitment, employment, retention and career development of disabled people.

1.42 This award enhances the Commission's existing working practices so that no job applicant or employee is discriminated against due to a disability.

The Commission is a member of the Employer's Forum on Disability and Staff received a copy of the Employer's Forum on Disability booklet *Welcoming Disabled Customers* as part of the Commission's work to increase awareness about working with, communicating with, and providing services to disabled people.

### Post balance sheet events

1.43 There have been no events since the balance sheet date that would affect the financial statements for the year ended 31 March 2007.

### Disclosure of audit information to the auditors

1.44 As far as the Accounting Officer is aware, there is no relevant audit information of which the Commission's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Commission's auditors are aware of that information.

**Peter Wardle**  
**Chief Executive and Accounting Officer**  
**2 July 2007**

## 2. Remuneration report

### The Commissioners and Deputy Commissioners and their remuneration

2.1 Commissioners, the first of whom were appointed on 19 January 2001, are appointed by Royal Warrant to exercise the functions of the Commission as described in the Political Parties, Elections and Referendums Act 2000. The chairmanship of the Commission is a full-time appointment, but the other Commissioners are all part time.

2.2 The following Commissioners served during the year:

- Sam Younger (Chairman)
- Pamela Gordon (Chair of the Boundary Committee for England)
- Glyn Mathias
- Sir Neil McIntosh CBE
- Karamjit Singh CBE

2.3 Sam Younger's term of appointment as Chairman of the Electoral Commission was renewed by the House of Commons on 19 January 2007 for a period of two years to 31 December 2008. The House of Commons agreed to reappoint Pamela Gordon with effect from 19 January 2007 to 30 June 2007. The appointment of Sir Neil McIntosh was renewed for three years on 19 January 2005, while those of Glyn Mathias and Karamjit Singh were renewed on 19 January 2006 for two and four years respectively.

2.4 The Commission appoints Deputy Commissioners under the powers contained in Section 15(1) of the Political Parties, Elections and Referendums Act 2000.

2.5 The following Deputy Commissioners served during the year:

- Robin Gray
- Joan Jones CBE
- Ann M. Kelly
- Colin Mellors

2.6 Professor Colin Mellors was reappointed for a period of four years until 31 March 2009; Joan Jones, and Robin Gray were reappointed in March 2007 from 1 April 2007 to 31 December 2008; Ann M. Kelly was reappointed in March 2007 from 1 April 2007 to 31 March 2008.

2.7 The House of Commons has resolved that fees for the Commissioners may be increased on 1 April each year by the percentage cost-of-living increase recommended for High Court Judges.

2.8 The Commission determined that fees for the Deputy Commissioners, which are paid by the Commission, will increase by 4.2% with effect from 1 November 2006.

2.9 The fees for Commissioners are paid out of the Consolidated Fund, as may be specified in a resolution of the House of Commons. They were paid a daily attendance allowance of £323 for the period 1 April 2006 to 31 October 2006. The fees were increased to £337 with effect from 1 November 2006 (2005–06: £323). The Chairman receives a salary direct from the Consolidated Fund.

2.10 The fees received by Commissioners are non pensionable while the pension arrangements for the Chairman are covered by the Superannuation Act 1972 and are broadly analogous to a member of the Principal Civil Service Pension Scheme which is unfunded. The Act provides for defined pension benefits to be met from the Consolidated Fund and no liability rests with the Commission.

2.11 Deputy Commissioners receive a daily fee which is determined by the Commission under Schedule 1(6) of the Political Parties, Elections and Referendums Act 2000. Their remuneration is included in the figures for 'others' in note 6 to the accounts. They were paid a daily attendance allowance of £284 for the period 1 April 2006 to 31 October 2006. The fees were increased to £296 with effect from 1 November 2006 (2005–06: £284) per day.

2.12 The fees and salary paid to Commissioners and Deputy Commissioners are set out in the table below.

2.13 The salary, fees and other benefits paid from the Consolidated Fund to the Commissioners during 2006 – 07 were as follows:

<b>Name</b>	<b>2006–07 Salary or Fees £000</b>	<b>2005–06 Salary or Fees £000</b>
Sam Younger Chairman	145 – 150	140–145
Pamela Gordon	30–35	40–45
Glyn Mathias	25–30	25–30
Sir Neil McIntosh CBE	25–30	25–30
Karamjit Singh CBE	20–25	15–20

2.14 The fees, paid by the Commission to the Deputy Commissioners during the year were as follows:

Name	2006–07 Fees £000	2005–06 Fees £000
Robin Gray	5 – 10	5 – 10
Joan Jones CBE	10 – 15	10 – 15
Ann M. Kelly	5 – 10	5 – 10
Professor Colin Mellors	5 – 10	5 – 10

## Senior Management

2.15 Peter Wardle was appointed as Chief Executive by the Commissioners on 1 December 2004. The Speaker's Committee also designated him the Commission's Accounting Officer. The Chief Executive's contract of employment is for an indefinite period up to the normal civil service pension scheme retirement age. Under the current arrangements he may choose to retire and draw pension at any age between 60 (pension age) and 65 (retirement age). The termination of his employment will be a matter for the Commissioners.

2.16 The Executive Team is the Chief Executive's forum for strategic decisions and is responsible, for advising Commissioners on aims and objectives, and for ensuring they are met. The Executive Team, until 31 December 2006, was structured as follows:

- Chief Executive Peter Wardle
- Director of Corporate Services Roger Gough – to 31 December 2006
- Director of Operations Hilary Mundella – to 5 January 2007
- Director of Communications Stephen Rooney – from 21 September 2006
- Director of Communication Angela Salt – to 15 June 2006
- Director of Policy & Strategy Nicole Smith – to 31 October 2006

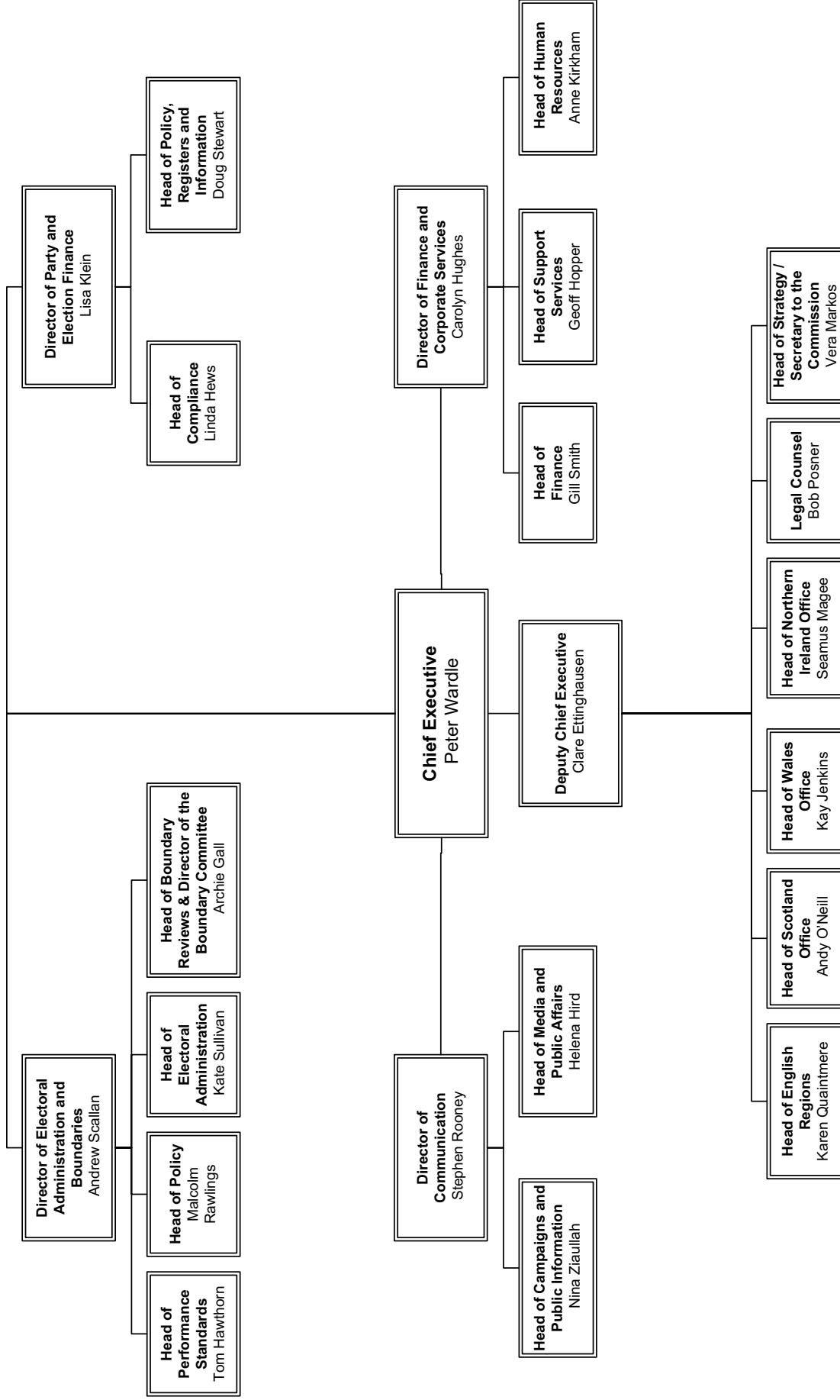
2.17 In order to meet the needs of structural change which took place in late 2006/early 2007, the Executive Team was restructured to consist of:

- Chief Executive Peter Wardle
- Deputy Chief Executive Nicole Smith – from 1 November 2006
- Director of Party & Election Finance Lisa Klein – from 2 April 2007
- Director of Communications Stephen Rooney – from 21 September 2006
- Director of Electoral Administration and Boundaries Andrew Scallan – from 24 October 2006

- Director of Finance & Corporate Services Carolyn Hughes –from 21 May 2007

The new structure is set out on the following page.

The Electoral Commission  
 Organisation Chart as on 30 May 2007



2.18 The remuneration of the Commission's Chief Executive and the Executive Team is funded through the Commission's Supply Estimate and accounted for in the Commission's resource accounts.

2.19 Unless otherwise stated below, the people covered by this report hold appointments which are open-ended until they reach Commission retirement age of 65. Early termination, with qualifying service other than for misconduct, would normally result in the individual receiving compensation as set out in the Civil Service Compensation Scheme which may be accessed at [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

2.20 With effect from 23 May 2006 Nicole Smith was employed on a part time basis working 32 hours per week (she worked 29 hours between 19 September 2005 and 22 May 2006). Angela Salt, who joined the Commission on a three-year fixed term contract on 18 October 2004, left the Commission on 15 June 2006.

2.21 Andrew Scallan, who is Head of Statutory Services at Manchester City Council, joined the Commission, on a part time basis, on 24 October 2006 as Director, Electoral Administration and Boundaries. He was employed on a 6-month secondment working 3 days a week. The contract was extended and his working days increased to 4 days a week from 30 April 2007.

2.22 The remuneration of the Chief Executive and the Executive Team is agreed by the Remuneration Committee composed of all the Commissioners. In setting the remuneration the Remuneration Committee have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- the Commissioners' policies for improving the Commission, including the requirement to meet its output targets for the delivery of Commission's services
- the funds available to the Commission as set out by the Speaker's Committee

2.23 This Committee takes account of wider economic considerations and the affordability of their recommendations.

2.24 Appointment to the Executive Team is on merit and follows open competition.

## Senior managers' emoluments

2.25 The salary and pension entitlements of the Executive Team of the Commission were as follows:

<b>Name</b>	<b>2006–07 Salary £000</b>	<b>2005–06 Salary £000</b>
Peter Wardle Chief Executive	105–110	105–110
Nicole Smith** Deputy Chief Executive – from 1 November 2007 Director of Policy & Strategy – to 31 October 2006	75–80 (85–90 full time equivalent)	70–75 (75–80 full time equivalent)
Roger Gough Director of Corporate Services – to 31 December 2006	80–85	75–80
Hilary Mundella Director of Operations – to 5 January 2007	75–80 (85–90 full time equivalent)	10–15 (85–90 full time equivalent)
Stephen Rooney Director of Communications – from 21 September 2006	75–80 (85–90 full time equivalent)	–
Angela Salt Director of Communication – to 15 June 2006	15–20 (80–85 full time equivalent)	80–85
Andrew Scallan* Director of Electoral Administration and Boundaries – from 24 October 2006	20–25 (75–80 full time equivalent)	–

\* Part time – 3 days a week.

\*\* With effect from 23 May 2006 Nicole Smith continued to be employed on a part time basis working 32 hours per week (29 hours: 19 September 2005 to 22 May 2006).

2.26 Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by the Commission and thus recorded in these accounts. None of the above received benefits in kind.

Name	Accrued pension at age 60 as at 31 March 2007 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31.3.07	CETV at 31.3.06	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Peter Wardle Chief Executive	30–35: 90–95	0–2.5 5.0–7.5	449	413	31	–
Nicole Smith Deputy Chief Executive – from 1 January 2007 Director of Policy & Strategy – to 31 December 2006	15–20: 45–50	0–2.5: 2.5–5.0	180	167	12	–
Roger Gough Director of Corporate Services – to 31 December 2006	25–30: 80–85	0–2.5: 0–2.5	478	478	–	–
Hilary Mundella Director of Operations – to 5 January 2007	0–5: N/A	0–2.5: N/A	25	4	12	–
Stephen Rooney Director of Communications – from 21 September 2006	0–5: N/A	0–2.5: N/A	18	4	12	–
Angela Salt Director of Communication – to 15 June 2006	0–5: N/A	0–2.5: N/A	27	25	3	–
Andrew Scallan	–	–	–	–	–	–

Peter Wardle, Nicole Smith and Roger Gough's pension disclosures reflect their entitlement for the full period of their respective employment within the Commission together with service transferred from their previous employer, rather than reflecting entitlement since joining the Commission.

## Pensions

2.27 Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, employees of the Commission may be in one of three statutory based 'final salary' defined benefit schemes (Classic, Premium, and Classic Plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium and Classic Plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of Premium or Partnership which is a 'money purchase' stakeholder arrangement with a significant employer contribution (Partnership pension account). Andrew Scallan's pension is provided by his employer, Manchester City Council.

2.28 Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium and Classic Plus. Benefits in Classic accrue at the rate of  $1/80^{\text{th}}$  of pensionable salary for each year of service. In addition, a lump sum equivalent to  $3/80^{\text{th}}$  of final pensionable pay is payable on retirement. For Premium, benefits accrue at the rate of  $1/60^{\text{th}}$  of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in Classic.

2.29 The Partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

2.30 The accrued pension quoted is the pension the member is entitled to receive when he or she reaches 60, or immediately on ceasing to be an active member of the scheme if that member is over 60.

2.31 Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

## Cash equivalent transfer values

2.32 A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the

member leaves a scheme and chooses to transfer the benefits accrued in his/her former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of his/her total membership of the pension scheme, not just the service in a senior capacity to which disclosure applies. The CETV figures, and from 2003–04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Cabinet Office's Civil Superannuation Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of purchasing additional years of pension service in the scheme at the member's cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### Real increase in the Cash Equivalent Transfer Value (CETV)

2.33. This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

**Peter Wardle**  
**Chief Executive and Accounting Officer**  
**2 July 2007**

### 3. Statement of Accounting Officer's responsibilities

3.1 Under the Political Parties, Elections and Referendums Act 2000, the Electoral Commission is required to prepare resource accounts for each financial year, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Commission during the year.

3.2 The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.

3.3 In accordance with paragraph 19(1) of Schedule 1 to the Political Parties, Elections and Referendums Act 2000, the Speaker's Committee on the Commission has designated the Chief Executive as Accounting Officer of the Commission, with responsibility for preparing the Commission's accounts and for transmitting them to the Comptroller and Auditor General.

3.4 In preparing the accounts, the Accounting Officer is required to comply with the *Government Financial Reporting Manual (FReM)* prepared by HM Treasury, and in particular to:

- observe 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 *FReM*, have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis

3.5 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Commission's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Government Accounting*.

## 4. Statement on internal control

### Scope of responsibility

4.1 As Accounting Officer, I have responsibility for maintaining a sound system of internal control which supports the achievement of the Commission's policies, aims and objectives, while safeguarding public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me under *Government Accounting*.

### System of internal control

4.2 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failing to achieve policies, aims and objectives; it can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- Update, clarify and review the Commission's objectives in response to key issues that arise during the year
- identify and prioritise the risks to achieving the Commission's policies, aims and objectives
- evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively, and economically
- monitor the achievement of the Commission's objectives
- report regularly to the Commission's senior management and to the Electoral Commissioners as a body

4.3 The system of internal control was in operation in the Commission for the year ended 31 March 2007 and remains in operation at the time of approval of the annual report and accounts. I have based this statement on evidence from the work of internal and external audit; from regular reports on the Commission's financial and other performance; and from my regular and ongoing discussions with members of the Executive Team.

### Capacity to handle risk

4.4 The Chief Executive and the Executive Team are responsible for managing the key risks within the Commission which could affect the achievement of the Commission's policies, aims and objectives. During the first quarter of 2006–07, they were supported in this by a Risk Co-ordination Group. During the rest of 2006–07, in part, as a result of a review of risk management within the Commission and also in part due to the significant changes in the Commission's organisation, the Risk Co-ordination Group did not operate. Instead, the Commission was developing a new approach to risk which is designed to link risk identification and management more closely, through the business planning process, to the identification and management of objectives and supporting activities. Commissioners and the Executive

Team and the Audit Committee receive periodic reports on risk management across the Commission.

4.5 In the Commission's 2006–07 to 2010–11 Corporate Plan we identified five key areas of corporate risk. The first and second concerned the measurement of outcomes, including outcomes over a longer term; this risk has been managed by devoting adequate skill and resource to identifying reliable data sources and measures which have been reported to the Commission as evidence of the impact the Commission makes in its key areas of activity. The third area was the risk of inadequate resources to deal with unanticipated demands; the Commission has managed this risk successfully during 2006–07, and indeed has managed to reduce expenditure in some areas, as these accounts show. The fourth and fifth areas of corporate risk concerned the need to maintain strong corporate governance, and to act on a sound legal basis; I am confident that we have successfully managed these risks during the year.

4.6 Other key risks that the Commission has faced during the year have been reputational, and these have been managed by ensuring that high-profile issues have been successfully debated and carefully considered by both Commissioners and senior staff at every stage.

4.7 Finally, in the area of key projects, risks have been managed using formal project management methodology, with risk registers and regular reviews by project boards.

## The risk and control framework

4.8 Information on risk and the management of risk is available to all staff via the Commission's intranet. The site includes the risk strategy, the risk register, guidance notes on the risk management structure and on preparing and managing a risk register, and a link to HM Treasury's guidance on risk. The risk and control framework, along with the associated guidance, is in the process of being revised to reflect the new developments outlined above.

4.9 Project risks are managed by project teams and reviewed as part of the project management structure.

4.10 Where significant gaps in control or assurance were identified, the designated manager developed an action plan to address them. In particular, the Audit Committee monitors the implementation of agreed recommendations from all internal and external audit reports.

## Review of effectiveness

4.11 As Accounting Officer, I am responsible for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal and external auditors

and the senior managers within the Commission who have responsibility for the development and maintenance of the internal control framework.

4.12 The effectiveness of the system of internal control was maintained and reviewed through the following:

- Commissioners met regularly to consider the strategic direction of the Commission.
- The Commission's objectives and targets were reviewed and revised (the revised objectives and targets were included in the corporate plan 2006–07 to 2010–11), with the aim of defining the Commission's priorities clearly.
- The Executive Team and Management Team met monthly to consider both strategic and operational issues.
- I reviewed financial and operational performance against plans with individual senior managers on a monthly basis.
- The Audit Committee met five times during the year with the internal and external auditors in attendance. The Committee reviewed the approach to risk management and the statement on internal control for 2005–06. It approved a programme of audit and reviews for the year ended 31 March 2007 and monitored its achievement.
- The head of internal audit provided me with an annual opinion on the overall arrangements for gaining assurance through the work of internal audit. That opinion was 'significant assurance can be given that there is a generally sound system of internal control, designed to meet the Commission's objectives, and that controls are generally being applied consistently'.
- Internal audit reports adhere to the standards defined in the Institute of Internal Auditors' Professional Practices Framework and Government Internal Audit Standards, and offered an independent opinion on the adequacy and effectiveness of the Commission's system of internal control. Final reports, which include recommendations for action to strengthen any control weaknesses, were addressed to the appropriate directors and the Audit Committee. Copies of the full and follow up internal audit reports are provided to the external auditors for information. Not all planned internal audit reviews were completed during the year, but I was able to satisfy myself in those areas not reviewed that controls were in place through other means, especially through discussions with and assurances from line managers. During the course of the year, two internal audit reports out of thirteen reports submitted offered "limited", rather than "substantial" assurance; but I was satisfied that the control weaknesses identified in these two reports were not sufficient to introduce significant risks to the Commission's activities, and I have ensured that the recommendations made in these reports are being followed up as quickly as possible.
- The National Audit Office has also provided reports to management that inform my review of the system of internal control. These reports are also reviewed by the Audit Committee.
- The extent to which recommendations from internal and external audit reports are accepted and implemented is monitored.

- The Finance Committee, chaired by the Head of Finance, met on a number of occasions to ensure financial propriety and sound financial management within the Commission.

4.13 Financial assistance, in the form of grants, is paid to political parties to provide them with a policy development function is paid in accordance with Section 12 of the Political Parties, Elections and Referendums Act 2000. In administering the scheme, the Commission requires each recipient party to certify, through its authorised party officers, that expenditure has been incurred for the purposes of policy development. In addition, my staff also carry out audits of the claims to ensure that grant monies have been spent for the purposes intended. Finally, each party is required to confirm through an external auditor's certificate that expenditure has been spent in accordance with the requirements of the grant. The Commission reserves the right to recover the grant, in whole or in part, to the extent that it is not used for eligible expenditure. Where external audit certificates have not yet been received, all other assurances have been given and checks completed, and I can confirm that the scheme has been administered in accordance with the requirements of the law.

4.14 The Commission continues to strengthen its controls, for example by:

- monitoring performance against detailed operational plans
- linking corporate objectives, operational targets, risks and mitigating
- maintaining a formal performance appraisal scheme

## Significant internal control problems

2006–07 has been a time of significant change in a number of areas within the Commission, with a new organisation structure and re-allocation of roles and responsibilities for Commission employees. There have been a number of staff changes at all levels within the Commission and for some time the commission functioned with a reduced Executive Team. Although some gaps in controls and assurances were identified and addressed during the year, these did not represent significant risks in terms of internal control.

**Peter Wardle**  
**Chief Executive and Accounting Officer**  
**2 July 2007**

# The Certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Electoral Commission for the year ended 31 March 2007 under the Political Parties, Elections and Referendums Act 2000. These comprise the statement of Parliamentary supply, the operating cost statement and statement of recognised gains and losses, the balance sheet, the cash flow statement and the statement of operating costs by Commission aim and objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

## Respective responsibilities of the Commission, Accounting Officer and auditor

The Commission and the Accounting Officer are responsible for preparing the Foreword and the financial statements in accordance with the Political Parties, Elections and Referendums Act 2000 and HM Treasury directions made there under and for ensuring the regularity of financial transactions. These responsibilities are set out in the statement of Accounting Officer's responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with HM Treasury directions issued under Schedule 1(17) of the Political Parties, Elections and Referendums Act 2000. I report to you whether, in my opinion, certain information given in the foreword is consistent with the financial statements. I also report whether 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.

In addition, I report to you if, the Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the statement on internal control reflects the Commission's compliance with HM Treasury's guidance on the statement on internal control, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the

Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Foreword and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

As set out in the statement on internal control, financial assistance to political parties is paid in accordance with Section 12 of the Political Parties, Elections and Referendums Act 2000. The Commission requires each recipient party to certify, through an external auditor, that expenditure has been incurred for the purposes of policy development. My audit of these amounts considers whether payments to recipient parties are properly calculated, whether the Commission has properly accounted for these amounts and received certificates from external auditors. Where certificates have not yet been received I also consider the work done by Commission staff to determine whether expenditure is in accordance with requirements of the grant.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the Commission and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the remuneration report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the remuneration report to be audited.

## Opinions

### Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Political Parties, Elections and Referendums Act 2000 and directions made thereunder by HM Treasury, of the state of the Commission's affairs as at 31 March 2007 and the net cash requirement, net resource outturn, net operating cost, operating cost applied to objectives, recognised gains and losses and cashflows for the year then ended
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with HM Treasury directions issued under Schedule 1(17) of the Political Parties, Elections and Referendums Act 2000; and
- information given within the foreword is consistent with the financial statements.

### Audit 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.

## Report

I have no observations to make on these financial statements.

**John Bourn**  
**Comptroller and Auditor General**  
**12 July 2007**

**National Audit Office**  
**157–197 Buckingham Palace Road**  
**Victoria**  
**London**  
**SW1W 9SP**

## Statement of Parliamentary Supply

### Summary of resource outturn 2006–07

Request for resources	Estimate			Outturn			2006–07	2005–06
	Gross expenditure	A in A**	Net total	Gross expenditure	A in A	Net total	£000	£000
							Net total outturn compared with estimate: savings/(excess)	Outturn
								Net total
Request for Resources 1*	26,225	45	26,180	22,361	45	22,316	3,961	21,933
<b>Total Resources</b>	<b>26,225</b>	<b>45</b>	<b>26,180</b>	<b>22,361</b>	<b>45</b>	<b>22,316</b>	<b>3,961</b>	<b>21,933</b>
<b>Non-operating cost A in A</b>	–	–	–	–	–	–	–	–

\* Amounts required for the year ending 31 March 2007 for expenditure by the Electoral Commission on planning for and carrying out the functions and duties imposed on it by, or by virtue of, the Political Parties, Elections and Referendums Act 2000 and other relevant enactments, including any Act resulting from the Electoral Administration Bill: these functions and duties include the registration of political parties, recognised third parties and permitted participants; regulation and reporting of the income and expenditure of political parties, candidates, third parties and permitted participants; making grants to eligible parties for policy development; reviewing and advising on the administration and law of elections and encouraging best practice; providing guidance, and reporting, on the conduct of elections and referendums; conducting certain referendums; promoting participation in and increased understanding of the democratic process; undertaking boundary, structural and other reviews of local authority areas in England; and associated administration and non-cash items.

\*\* Appropriations in aid

## Net cash requirement 2006–07

	Note	Estimate	Outturn	2006–07 £000 Net total outturn compared with estimate: saving/(excess)	2005–06 £000 Outturn
Net cash requirement	2	26,565	21,637	4,928	21,516

## Summary of income payable to the Consolidated Fund

In addition to Appropriations in Aid the following income relates to the Commission and is payable to the Consolidated Fund

	Note	2006–07 Forecast £000		Outturn 2006–07 £000	
		Income	Receipts	Income	Receipts
Operating income and receipts— excess A in A		—	—	1	1
Other amounts collectable on behalf of the Consolidated Fund		1	1	1	1
<b>Total</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>

## Explanation of the variation between Estimate and Outturn (net total resources)

- the Commission not incurring expenditure of £1.275m on evaluating pilots of personal identifiers for absent voting as originally expected
- reduced expenditure on public awareness campaigns of some £0.5m on account of efficiency savings made by merging two campaigns, for registration and voting, into one
- savings through migration to online publication and efficient management of existing stock
- savings made as part of the Commission's forward planning, by cutting back spending in 2006–07 in areas of work which it does not plan to continue in 2007–08

## Explanation of the variation between Estimate net cash requirement and outturn (net cash requirement)

The explanation provided for the variation between Estimate and net resource outturn is equally applicable to the variation between estimate net cash requirement and outturn. In addition, certain suppliers were slow in rendering their invoices for payment thereby resulting in an increase in creditors as

compared with the previous year as shown in the balance sheet as significant expenditure was incurred towards the end of the financial year as a result of May elections.

## Operating cost statement

For the year ended 31 March 2007		2006-07	2005-06
	Note	£000	£000
<b>Administration costs</b>			
Staff costs	6	6,556	6,227
Other administration costs	7	13,216	13,351
<b>Gross administration costs</b>		<b>19,772</b>	<b>19,578</b>
Operating income	9	(45)	(17)
<b>Net administration costs</b>		<b>19,727</b>	<b>19,561</b>
<b>Programme costs</b>			
Other expenditure	8	2,589	2,355
<b>Net programme costs</b>		<b>2,589</b>	<b>2,355</b>
<b>Net operating cost</b>		<b>22,316</b>	<b>21,916</b>
<b>Net resource outturn</b>		<b>22,316</b>	<b>21,916</b>

All income and expenditure is derived from continuing operations.

## Statement of recognised gains and losses for the year ended 31 March 2007

	Note	2006-07 £000	2005-06 £000
Net gain on revaluation of tangible fixed assets	19	53	35
<b>Recognised gains for the financial year</b>		<b>53</b>	<b>35</b>

## Balance sheet as at 31 March 2007

		2006-07	2005-06
	Note	£000	£000
<b>Fixed assets</b>			
Tangible assets	11	1,285	920
Intangible assets	12	19	53
		1,304	973
<b>Current assets</b>			
Debtors	14	294	260
Cash at bank and in hand	15	12	27
		306	287
<b>Creditors: amounts falling due within one year</b>	16	(2,772)	(1,969)
<b>Net current (liabilities)</b>		(2,466)	(1,682)
<b>Total assets less current liabilities</b>		(1,162)	(709)
<b>Provisions for liabilities and charges</b>	17	384	276
		<b>(1,546)</b>	<b>(985)</b>
<b>Taxpayers' equity</b>			
General fund	18	(1,611)	(1,035)
Revaluation reserve	19	65	50
		<b>(1,546)</b>	<b>(985)</b>

Peter Wardle  
2 July 2007

(Accounting Officer)

## Cash flow statement for the year ended 31 March 2007

		2006–07	2005–06
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Net cash (out flow) from operating activities</b>	<b>20(a)</b>	(20,632)	(21,133)
<b>Capital expenditure</b>	<b>20(b)</b>	(1,005)	(383)
<b>Receipts due to the Consolidated Fund which are outside the scope of Commission's activities</b>	<b>3</b>	2	–
<b>Consolidated Fund extra receipts paid over Financing</b>		(4)	
	<b>20(c)</b>	<u>21,624</u>	<u>21,119</u>
<b>(Decrease) in cash in the period</b>	<b>15</b>	<u>(15)</u>	<u>(397)</u>

## Statement of operating costs by aims and objectives for the year ended 31 March 2007

<b>To promote</b>	<b>2006–07</b>			<b>2005–06 (restated)</b>			
	<b>Gross expenditure Note</b>	<b>Income £000</b>	<b>Net £000</b>	<b>Gross expenditure £000</b>	<b>Income £000</b>	<b>Net £000</b>	
<b>Objective 1</b> Confidence and participation in the democratic process	11,947	–	11,947	11,435	–	11,435	
<b>Objective 2</b> Fair arrangements for elections delivered to consistently high standards	6,718	25	6,693	6,590	–	6,590	
<b>Objective 3</b> Transparency in the finances of political parties and candidates	2,130	20	2,110	2,300	17	2,283	
<b>Objective 4</b> A modern, efficient and effective Electoral Commission that is well regarded in the wider community	1,566	–	1,566	1,608	–	1,608	
<b>Net operating costs</b>	21	22,361	45	22,316	21,933	17	21,916

Costs that are directly attributable have been allocated to individual objectives while indirect costs have been allocated on the basis of time apportionment. Comparative figures have been restated as there has been a change in the aims and objectives.

# Notes to the accounts

## 1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2006–07 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow United Kingdom generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition, to the primary statements prepared under UK GAAP, the *FReM* also requires the Commission to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The Statement of Operating Cost by Aim and Objectives and supporting notes analyse the Commission's income and expenditure by the objectives agreed with the Speaker's Committee.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The Commission's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The comparative figures have been restated for the purpose of producing Statement of Operating Costs by Aims and Objectives and for staff numbers allocated by objectives outlined in note 6 to the accounts as the objectives changed for the financial year.

### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

### 1.2 Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. Expenditure on tangible fixed assets of over £1,000 is capitalised. On initial recognition they are measured at cost including any costs such as installation directly attributable to bringing them into working condition. Tangible fixed assets are restated to current value each year by using indices published by the Office for National Statistics appropriate to each category of asset.

### 1.3 Intangible assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £1,000 or more is incurred. Except where reliable evidence of current value cannot be readily ascertained, these are restated to current value each year. Software licences are amortised over the term of the shorter of the term of the licence and the useful economic life. Website developments costs are capitalised.

### 1.4 Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Asset lives are normally in the following ranges:

- intangible fixed assets three years
- IT software three years
- IT hardware five years
- fixtures and fittings, furniture and other equipment four–ten years.
- leasehold improvements five years

### 1.5 Stocks

The full cost of stock purchases is charged in the year of purchase and is not material to the Account.

### 1.6 Operating income

Operating income is income that relates directly to the operating activities of the Commission. It principally comprises income from registration and re-registration of political parties. It also includes amounts received from the Scottish Executive in respect of research carried out on its behalf. It includes not only income appropriated in aid of the Estimate but also income payable to the Consolidated Fund, which in accordance with the *FReM* is treated as operating income.

### 1.7 Administration and programme expenditure

The Electoral Commission is outside HM Treasury's administration costs control regime. In order to enable the Commission to produce the resource account with sufficient detail to provide a true and fair view of the state of affairs, the requirements of the *FReM* have been adapted. For reporting purposes, the same level of detail has been provided in the accounts as a whole as would be necessary for a government department to provide for expenditure governed by the administrative costs control regime.

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the costs of running the Commission. These include both the administrative costs and the associated

operating income. Income is analysed in the notes between that allowed to be offset against gross administrative costs in determining outturn and operating income which is not so allowed to be offset. Programme costs reflect payments of grants by the Commission.

## 1.8 Capital charge (notional costs)

A charge, reflecting the cost of capital employed by the Commission, is included in operating costs. The charge is calculated at the government's standard rate of 3.5 per cent in real terms on the average carrying amount of all assets less liabilities except for:

- a tangible and intangible fixed assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
  - additions at cost
  - disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal)
  - impairments at the amount of the reduction of the opening balance sheet value ( plus any subsequent capital expenditure )
  - depreciation of tangible and amortisation of intangible fixed assets
- b cash balances with the Office of Paymaster General (OPG), where the charge is nil.

## 1.9 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described in note 6. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Commission recognises the expected cost of those elements on a systematic and rational basis over the period during which it benefits from the employees' services by payment to the Schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Schemes. In respect of the defined contribution elements of the schemes, the Commission recognises the contributions payable for the year.

Pensions payable by the Commission are accounted for in the period they fall due.

## 1.10 Operating leases

Rentals payable under operating leases are charged to the operating cost statement on a straight-line basis over the term of the lease.

## 1.11 Grants payable

Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs and are recognised in the account once the claim is accepted as valid.

## 1.12 Provisions

The Commission provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

Following the transfer of the functions of the Local Government Commission for England and the incorporation of its assets and liabilities on 1 April 2002, a provision has been established to meet its obligations with respect to pension payments to certain former Commissioners of that entity.

## 1.13 Value Added Tax (VAT)

VAT is charged to the relevant expenditure category, or if appropriate capitalised with additions to fixed assets. Income and expenditure is reported inclusive of VAT, as the Commission is outside the scope of VAT.

## 1.14 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Commission 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 *Government Accounting*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Those contingent liabilities not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

## 1.15 Going concern

The Electoral Commission is a statutory body established under the Political Parties, Elections and Referendums Act 2000. In the opinion of the Commission as long as the provisions of the Act apply it is appropriate to prepare the Commission's accounts on the going concern basis.

## 2. Reconciliation of resources to cash requirement

		Estimate	Outturn	2006–07 Net total compared with Estimate saving/ (excess)	2005–06 Prior–year outturn
	Note	£000	£000	£000	£000
<b>Net resource outturn</b>		26,180	22,316	3,864	21,916
<b>Capital:</b>					
Acquisition of fixed assets	12	1,195	1,005	190	383
Investments		–	–	–	–
<b>Non–Operating A in A</b>					
Proceeds of fixed asset disposals		–	–	–	–
<b>Accruals adjustments:</b>					
Non–cash items	7	(710)	(820)	110	(777)
Changes in working capital other than cash					
	13	(100)	(876)	776	(17)
Changes in creditors falling due after more than one year		–	–	–	–
Use of provision	17	–	12	(12)	11
<b>Net cash requirement (note 20)</b>		<b>26,565</b>	<b>21,637</b>	<b>4,928</b>	<b>21,516</b>

### 3. Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Commission and is payable to the Consolidated Fund:

	Income £000	Forecast 2006–07 Receipts £000	Income £000	Outturn 2006–07 Receipts £000
Operating income and receipts— excess A in A	–	–	1	1
Non–operating income and receipts not classified as A in A	–	–	–	–
Other operating income and receipts not classified as A in A	–	–	–	–
Other non–operating income and receipts not classified as A in A	–	–	–	–
Other amounts collected on behalf of the Consolidated Fund	1	1	1	1
Excess cash receipts to be surrendered to the Consolidated Fund	–	–	–	–
<b>Total</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>

### 4. Non–operating income – Excess A in A

	2006–07 £000	2005–06 £000
Proceeds on disposal of fixed assets	–	–
Other	–	–
Non–operating income – excess A in A	–	–

### 5. Non–operating income not classified as A in A

The Commission did not receive any interest on a commercial bank account (2005–06: £1,311) during the year which is not regarded as income for the Commission and is surrendered to the Consolidated Fund.

## 6. Staff numbers and related costs

### 6.1 Staff costs comprise:

	2006–07			2005–06
	Total	Permanently employed staff	Others*	Total
	£000	£000	£000	£000
Wages and salaries	5,343	4,627	716	5,046
Social security costs	383	367	16	340
Other pension costs	938	896	42	841
<b>Sub total</b>	<b>6,664</b>	<b>5,890</b>	<b>774</b>	<b>6,227</b>
Less recoveries in respect of outward secondments	108	108	–	–
<b>Total net costs</b>	<b>6,556</b>	<b>5,782</b>	<b>774</b>	<b>6,227</b>

\* Others include Deputy Commissioners, seconded and agency staff.

The names and remuneration of Commissioners and those of Deputy Commissioners are disclosed in the remuneration report.

The Deputy Commissioners are also named in the remuneration report. Their remuneration in respect of the Boundary Committee is included in the figure for 'others'. They were paid a daily attendance allowance of £296 (2005–06: £284) per day.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2003; details may be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2006–07, employers' contributions of £906,991 were payable to the PCSPS (2005–06: £808,904) at one of four rates in the range 17.1 to 25.5% per cent (2005–06: 16.2 and 24.6%) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a **Partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £15,010 (2005–06: £8,415) were paid to one or more of a panel of three appointed **stakeholder** pension providers. Employer contributions are age-related and range from 3.0 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition,

employer contributions of £1,360 being 0.8 per cent of pensionable pay, were payable to the **PCSPS** to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **Partnership** pension providers at the balance sheet date were £1,132. Contributions prepaid at that date were £nil.

No pension contributions were paid by the Commission in respect of Commissioners during the period. The Commission is, however, required to pay pensions to certain former Commissioners of the Local Government Commission for England (LGCE). The total provision for these costs was £164,000 at 31 March 2007 (£176,000 at 31 March 2006) – see note 17.

Pension costs for 'Others' relate to seconded staff from government departments.

## 6.2 Average number of persons employed

The average number of full-time equivalent persons employed during the year was as follows:

Objective	Total	Permanent staff	2006–07		2005–06 (restated)	
			Others *	Total	Total	Total
Confidence and participation in the democratic process	34	31	3			31
Fair arrangements for elections delivered to consistently high standards	75	68	7			71
Transparency in the finances of political parties and candidates	27	24	3			28
A modern, efficient and effective Electoral Commission that is well regarded in the wider community	17	11	6			18
<b>Total</b>	<b>153</b>	<b>134</b>	<b>19</b>			<b>148</b>

\* Others include seconded and agency staff.

The 2005–06 figures have been restated as the objectives changed for 2006–07 financial year.

## 7. Other administration costs

	2006–07 £000	2005–06 £000
<b>Rentals under operating leases:</b>		
Property rent	954	1,085
Equipment	30	16
<b>Other items:</b>		
Staff training and development	455	523
Section 13 expenditure <sup>See note below</sup>	5,927	6,748
Consultancy	1,516	1,060
Travel and subsistence	246	218
Travel and subsistence – Commissioners & Deputy Commissioners	59	52
Accommodation, maintenance	623	495
Design, production and printing	809	853
Publicity and publications	434	354
Other expenditure	1,343	1,170
	12,396	12,574
<b>Non-cash items:</b>		
Depreciation and amortisation	535	469
Permanent diminution of tangible and intangible fixed assets	81	36
Cost of capital charge	(43)	(29)
Auditors remuneration and expenses*	106	89
Establishing provision	120	100
Write off of assets	21	20
Movement in provision	–	92
	<b>Note 20(a)</b> 820	777
<b>Total</b>	<b>13,216</b>	<b>13,351</b>

Section 13 of Political Parties, Elections and Referendums Act 2000 requires the Commission to promote public awareness of current electoral systems in the UK and any pending such systems, together with such matters connected with any such existing or pending systems as the Commission may determine; current systems of local and national government in the UK and any pending such systems; and the institutions of the European Union. Section 13 expenditure is limited by Statutory Instrument: The Electoral Commission (Limit on Public Awareness Expenditure) Order 2002 to £7.5m for the 2006–07 financial year (2005–06: £7.5m). In addition to the Section 13 resources expended above, an amount of £589,000 (2005–06: £355,000) was expended by way of grants to bodies in furtherance of voter education and is included in programme costs (See note 8). Total Section 13 resources for the year amounted to £6,516,000 (2005–06: £7,103,000) and are wholly involved with public awareness as set out in the Order.

\* The auditors were not remunerated for any non-audit related work.

## 8. Programme costs

	<b>2006–07</b>	<b>2005–06</b>
	<b>£000</b>	<b>£000</b>
Policy development grants	2,000	2,000
New Initiatives		
Fund/Partnership grants	589	355
<b>Total</b>	<b>2,589</b>	<b>2,355</b>

Section 12 of the Political Parties, Elections and Referendums Act 2000 (PPERA) provides for The Electoral Commission to administer a scheme to make payments of policy development grants to registered political parties.

A scheme was proposed by the Commission, and on 7 February 2002, the then Secretary of State for Transport, Local Government and the Regions laid before Parliament the Elections (Policy Development Grants Scheme) Order 2002. The Order came into force on 5 March 2002.

The scheme allows the Commission to allocate up to £2,000,000 each year to registered political parties to assist with the costs of developing policies to be included in manifestos for local government, National Assembly for Wales, Northern Ireland Assembly, or Scottish, Westminster or European Parliamentary elections. To be eligible for inclusion in the scheme, a registered political party must have at least two MPs sitting in the House of Commons on 7 March prior to the year in question, who have sworn the oath of allegiance provided by the Parliamentary Oaths Act 1866.

The annual allocation of £2,000,000 is divided between the eligible parties according to the allocation formula set out in the Scheme.

Section 13 of PERA authorises the Commission to award grants towards education about electoral and democratic systems. The Commission's initial scheme titled new initiative fund came to an end and it launched a Partnership grant scheme as a way to involve more people in democracy. Grants are awarded to organisations working with people who do not currently participate in democracy.

## 9. Income

During the year the Commission received the following income:

	<b>2006–07</b>	<b>2005–06</b>
	<b>£000</b>	<b>£000</b>
	A in A	A in A
Administration income	(45)	(17)
<b>Total</b>	<b>(45)</b>	<b>(17)</b>

## 10. Administration cost limits

The Commission is outside the Treasury's administrative cost control regime.

## 11. Tangible fixed assets

	<b>Total</b>	<b>Leasehold</b>	<b>Office</b>	<b>IT</b>	<b>IT Fixtures</b>	<b>Assets</b>	
	<b>improvements</b>	<b>equipment</b>	<b>software</b>	<b>hardware</b>	<b>and</b>	<b>under the</b>	
					<b>fittings</b>	<b>course of</b>	
						<b>construction</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
<b>Cost/Valuation</b>							
As at 1 April 2006	2,317	1,169	30	50	717	351	–
Additions	903	430	9	17	129	27	291
Disposals	(361)	(11)	(8)	–	(252)	(90)	–
Revaluation	25	88	–	(4)	(43)	5	(21)
As at 31 March 2007	2,884	1,676	31	63	551	293	270
<b>Depreciation</b>							
As at 1 April 2006	1,397	642	20	50	522	163	–
Charged in the year	531	299	5	6	153	68	0
(Disposals)	(340)	(9)	(9)	–	(248)	(74)	0
Revaluation	11	69	1	(4)	(60)	5	0
As at 31 March 2007	1,599	1,001	17	52	367	162	0
<b>Net book value as at 31 March 2007</b>	<b>1,285</b>	<b>675</b>	<b>14</b>	<b>11</b>	<b>184</b>	<b>131</b>	<b>270</b>
<b>Net book value as at 31 March 2006</b>	<b>920</b>	<b>527</b>	<b>10</b>	<b>–</b>	<b>195</b>	<b>188</b>	<b>–</b>
<b>Asset financing</b>							
Owned	1,285	675	14	11	184	131	270
Net book value as at 31 March 2007	1,285	675	14	11	184	131	270

	<b>2006–07</b>	<b>2005–06</b>
	<b>£000</b>	<b>£000</b>
<i>Reconciliation of cash flows to fixed asset additions</i>		
Tangible fixed asset additions	903	574
Add: adjustment relating to tangible fixed assets accruals	94	238
Cash flows for tangible fixed assets	997	336
	<b>Note 12</b>	

## 12. Intangible assets

The Commission's intangible fixed assets comprise purchased software licences.

	<b>Total</b>	<b>Software Licences</b>
	<b>£000</b>	<b>£000</b>
<b>Cost/Valuation</b>		
As at 1 April 2006	150	150
Additions	8	8
(Disposals)	–	–
Revaluations	(12)	(12)
As at 31 March 2007	<u>146</u>	<u>146</u>
<b>Amortisation</b>		
As at 1 April 2006	97	97
Charged in the year	45	45
Disposals	–	–
Revaluation	(15)	(15)
As at 31 March 2007	<u>127</u>	<u>127</u>
<b>Net book value as at 31 March 2007</b>	<b>19</b>	<b>19</b>
<b>Net book value as at 31 March 2006</b>	<b>53</b>	<b>53</b>

		<b>2006–07</b>	<b>2005–06</b>
		<b>£000</b>	<b>£000</b>
<i>Reconciliation of cash flows to fixed asset additions</i>			
Intangible fixed asset additions		8	48
Add: adjustment relating to intangible fixed assets accruals		–	(1)
		<u>8</u>	<u>47</u>
Cash flows for tangible fixed assets	Note 11 <b>Notes 2 and 20(b)</b>	<u>997</u>	<u>336</u>
		<b>1,005</b>	<b>383</b>

### 13. Movements in working capital other than cash

	2006-07	2005-06
	£000	£000
(Decrease)/Increase in debtors	34	(239)
(Increase)/Decrease in creditors falling due within one year	(815)	(17)
Change in capital creditors	(95)	239
<b>Net movement in working capital</b>	<b>(876)</b>	<b>(17)</b>
<b>Reconciliation to change in working capital other than cash as used in Note 2:</b>		
Decrease/(Increase) in debtors relating to Appropriations in Aid	—	—
<b>Net movement in working capital</b>	<b>Note 2 (876)</b>	<b>(17)</b>

### 14. Debtors

	2006-07	2005-06
	£000	£000
<b>Amounts falling due within one year:</b>		
Trade debtors	15	55
Other debtors	84	102
Prepayments	195	103
<b>Total</b>	<b>294</b>	<b>260</b>

In 2006-07 there is no amount (2005-06: £4,354) included in other debtors that will be payable to the Consolidated Fund once the debts are collected. There was an amount of £9,094 (2005-06: £nil) included in trade debtors owing by Government bodies.

## 15. Cash at bank and in hand

	<b>2006–07</b>	<b>2005–06</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April 2006	27	424
Net change in cash balances	(15)	(397)
<b>Balance at 31 March</b>	<b>12</b>	<b>27</b>
The following balances at 31 March are held at:		
Office of HM Paymaster General	12	27
Commercial banks	–	–
<b>Balance at 31 March</b>	<b>12</b>	<b>27</b>
Shown as		
Balance 31 March 2006	27	424
Balance 31 March 2007	12	27
Net decrease in cash	<b>15</b>	<b>397</b>

## 16. Creditors

	<b>2006–07</b>	<b>2005–06</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade creditors	1,402	952
Other creditors	784	249
Accruals	572	737
	<b>2,758</b>	<b>1,938</b>
Consolidated fund extra receipts received and receivable due to the Consolidated Fund	2	4
Amounts from the Consolidated Fund for supply but not spent at year end	12	27
<b>Total</b>	<b>2,772</b>	<b>1,969</b>

There was a total of £705,605 (2005–06: £443,384) included in trade creditors, owing to Government bodies.

## Provisions

	<b>Total £000</b>	<b>Pension £000</b>	<b>Other £000</b>
Balance 1 April 2006	276	176	100
Provided in the year	120	–	120
Provision utilised in year (use of provision)	(12)	(12)	–
<b>Balance at 31 March 2007</b>	<b>384</b>	<b>164</b>	<b>220</b>

The Commission provides for the pension liability for certain former Commissioners of the Local Government Commission for England, following the transfer of functions to the Commission.

The Government Actuary's Department prepared a valuation on 31 March 2006.

## Pension Liability Statement

	<b>£000</b>
Provision at 1 April 2006	176
Less benefits paid	(12)
Present Value of scheme at end of year	<u>164</u>

The Commission provides for the pension liability for certain former Commissioners of the Local Government Commission for England, following the transfer of functions to the Commission.

The pension provision is unfunded, with benefits being paid as they fall due and guaranteed by the employer.

There is no fund, and therefore no surplus or deficit. Actuarial advice was sought to ensure that the provision is set at a realistic level.

An actuarial valuation was carried out by the Government's Actuary Department (GAD) to provide a value of the liability in the previous year as at 31 March 2006. A valuation is carried out every 3 years.

The assumptions used by the actuary were:-

the inflation assumptions	2.50%
the rate of increase in salaries	4.00%
the rate of increase for pensions in payment and deferred pensions	2.50%
the rate used to discount scheme liabilities	5.40%

## 18. General fund

The General fund represents the total assets less liabilities of the Commission, to the extent that the total is not represented by other reserves and financing items.

	2006–07	2005–06
	£000	£000
Balance at 1 April	(1,035)	(717)
Net parliamentary funding		
Draw down	21,624	21,119
Deemed	27	424
Year end adjustment		
Supply creditor	(12)	(27)
Net transfer from operating activities		
Net operating cost	(22,316)	(21,916)
Cost of capital	(43)	(29)
Auditors' remuneration	106	89
Transfer from revaluation reserve	38	21
<b>Balance at 31 March</b>	<b>(1,611)</b>	<b>(1,035)</b>

## 19. Revaluation reserve

	2006–07	2005–06
	£000	£000
Balance at 1 April 2006	50	36
Arising on revaluation during the year (net)	53	35
Transferred to general fund in respect of realised element of revaluation reserve	(38)	(21)
<b>Balance at 31 March</b>	<b>65</b>	<b>50</b>
<b>Shown as follows:</b>		
B/Fwd as above	50	36
C/Fwd as above	65	50
Movement	<b>(15)</b>	<b>14</b>

## 20. Notes to cash flow statement

		2006–07	2005–06 restated*
		£000	£000
<b>Note 20(a) Reconciliation of operating cost to operating cash flows</b>			
<b>Net operating cost (operating cost statement)</b>		<b>22,316</b>	<b>21,916</b>
Adjust for non–cash transactions	7	(820)	(777)
(Increase)/Decrease in debtors	13	34	(239)
Increase/(Decrease) in creditors	13	(815)	(17)
Adjust for movements in working capital other than cash	13	(95)	239
Use of provisions	17	12	11
<b>Net cash outflow from operating activities</b>		<b>20,632</b>	<b>21,133</b>
<b>Note 20(b) Analysis of capital expenditure</b>			
Purchase of fixed assets	12	1,005	383
<b>Net Cash Outflow from investing activities</b>		<b>21,637</b>	<b>21,516</b>
<b>Note 20(c) Analysis of capital expenditure and financial investment by request for resources</b>			
Capital expenditure and financial investment relates to only one RfR as provided for in the Estimate			
<b>Note 20(d) Analysis of financing and reconciliation to the net cash requirement</b>			
From Consolidated Fund (Supply): Current year	18	21,624	21,119
<b>Net Financing</b>		<b>21,624</b>	<b>21,119</b>
(Increase)/Decrease in cash	15	15	397
<b>Net cash flows other than financing</b>		<b>21,639</b>	<b>21,516</b>

**Note 20(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash**

<b>Net cash requirement</b>		<b>21,637</b>	<b>21,516</b>
From the Consolidated Fund (Supply) – current year	18	21,624	21,119
Amounts due to the Consolidated Fund – received in a prior year and paid over	16	(4)	–
Consolidated Fund extra receipts received in year and not paid over	16	2	–
Increase/(decrease) in cash		<u>(15)</u>	<u>(397)</u>

\* The previous year column has been restated in order to comply with Financial Reporting Manual presentation.

**21. Notes to statement of operating costs by aims and objectives**

The Commission's capital is employed exclusively for administration purposes. Its distribution among objectives is therefore not markedly different from the proportion of related gross administration cost.

**22. Capital commitments**

Contracted capital commitments at 31 March 2007 for which no provision has been made in these accounts were as follows:

	<b>2006–07</b>	<b>2005–06</b>
	<b>£000</b>	<b>£000</b>
Contracted	212	10
Authorised	nil	nil

**23. Commitments under leases**

**Operating leases**

Annual commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

<b>Obligations under operating leases comprise</b>	<b>2006–07</b>		<b>2005–06</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Land and buildings</b>	<b>Other</b>	<b>Land and buildings</b>	<b>Other</b>
Expiry within 1 year	–	6	–	–
Expiry after 1 year but	910	8	16	14

not more than 5 years

Expiry thereafter	26	–	920	–
<b>Total</b>	<b>936</b>	<b>14</b>	<b>936</b>	<b>14</b>

## 24. Financial instruments

FRS 13, *Derivatives and other financial instruments*, requires disclosure of the role which financial instruments have had during the reporting period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which it is financed, the Electoral Commission is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS13 mainly applies. The Electoral Commission has no powers to borrow or invest surplus funds and except for relatively insignificant forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Commission in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the Balance Sheet date have been omitted from the currency profile.

### Liquidity risk

The Electoral Commission's net revenue resource requirements are financed by resources voted annually by Parliament, as is its capital expenditure. Consequently, the Electoral Commission is not exposed to significant liquidity risks.

### Foreign currency risk

The Electoral Commission's exposure to foreign currency risk is not significant.

## 25. Contingent liabilities disclosed under FRS12

The Commission's contingent liabilities are set out below:

	2006-07	2005-06
	£000	£000
25.1 litigation costs. This relates to two invoices that have been disputed, one of which has been referred to arbitration.	40	Nil

25.2 litigation costs. Civil proceedings issued by the Commission against a political party for forfeiture of impermissible donations.

50

Nil

## 26. Contingent liabilities not required to be disclosed under FRS12 but included for parliamentary reporting and accountability

The Commission did not have any contingent liabilities at 31 March 2007 (31 March 2006: £nil).

## 27. Losses and special payments

There were no losses and special payments made during the year (2005–06: £nil).

## 28. Related party transactions

The Electoral Commission is a body independent of government, non-partisan and directly accountable to Parliament. None of the Commissioners, Deputy Commissioners, key managerial staff or other persons connected with them has undertaken any material transactions with the Commission during the year.

In addition, the Commission has had a number of transactions with government departments and central government bodies.

## 29. Post balance sheet event

There were no significant post balance sheet events.

## The Electoral Commission

### Accounts Direction given by the Treasury in accordance with paragraph 17(2) of Schedule 1 to The Political Parties, Elections and Referendums Act 2000

1. The Electoral Commission shall prepare accounts for the financial year ended 31 March 2006 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual ("the *FReM*") issued by H M Treasury which is in force for the financial year for which the accounts are being prepared.

2. The accounts shall be prepared so as to:

- give a true and fair view of the state of affairs of the Electoral Commission at 31 March 2006 and subsequent financial year ends, and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended; and
- provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

3. Compliance with the requirements of the *FReM* will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the *FReM* is inconsistent with the requirement to give a true and fair view, the requirements of the *FReM* should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the *FReM*. Any material departure from the *FReM* should be discussed in the first instance with the Treasury.

4. This direction supersedes that dated 25 February 2002.

Ian Carruthers  
Director, Government Reporting, HM Treasury  
27 February 2006

## Contact details

We are an independent body that was set up by the UK Parliament. We aim to gain public confidence and encourage people to take part in the democratic process within the UK by modernising the electoral process, promote public awareness of electoral matters and regulating political parties.

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