

AT THE CROSSROADS?
The Scottish National Party.
The Financial deficit crisis.

As you will have observed on the forum, our Independence party are in deep financial trouble. Like many Scots, I was aware that the party had money problems, but then, what party does not? The Labour Party and the Toraidhs have huge deficits to make up. The Liberals, funnily enough have managed by good housekeeping to stay in the black. When the newspaper report came out that the SNP was £500,000 in the red, my first reaction was disbelief. Then one of the regulars did some investigation and actually got hold of a copy of the accounts.

These accounts give a revealing picture of the party's state of affairs and as I have been requested by many people to do an in-depth analysis on them, I have put them into a more professional layout similar to the one used for my Clients. The accounts consist of an Income and Expenditure statement on the first page and then the Balance sheet follows on the second page. You will notice that beside some of the income items and expenses there are references to notes. These follow on the succeeding pages and give a comprehensive breakdown along with comments.

This method has been used to avoid cluttering up the layout of the accounts and to preserve the natural progression of the figures. We start with the Income side and all the various sources are listed along with the amounts for each source. For easy statistical analysis you will note that there is a Percentage expressed as a proportion of Gross income. You will notice one item printed in red which is the UK Government 'Policy Development Grant' and you will see the reason for this explained in the somewhat lengthy note 5. After the Income section, you will note that the expenditure section follows on naturally. Again all expenses are expressed in percentage terms as well.

Each main expense heading is listed along with the relevant amount and where it is deemed advisable, a note number for easy reference. Finally after the sub divisions of Finance charges and Depreciation you will notice a Red box containing the Nett Operational deficit for the year which is the more accurate method of measurement.

Next comes the Balance Sheet Which lists Fixed and Current assets and the relevant amounts. This is followed by the section on Liabilities. Now follow the figures which show the liquidity or otherwise of the Party. This is worked out by using the formula of: Sum of, Fixed Assets Plus Current assets minus current liabilities which gives the figure for Nett Current Assets / (Liabilities). In colloquial terms this means, being either in the 'Black' or in the 'Red.'

'Long term liabilities' which are due and payable after one year; follow next and this figure is added to the Nett Current Assets /(Liabilities) figure to give the 'Nett Assets / (Liabilities). The final section is to show the financial structure of the accounts and the total must agree with the Nett Assets / (Liabilities) figure. Thank you for being so patient with these explanations; now read on:

The Scottish National Party
107 MacDonald Road
EDINBURGH
SCOTLAND

Statement of Accounts for Year 1st January 2002 to the 31st December 2002
Extracted from the Statement of Accounts lodged with the Electoral Commission

Gross Income for Year as detailed below		Per Cent
Donations	£163,744.00	16.83%
Membership Dues and Subscriptions	£136,447.00	14.02%
Fundraising Activities	£169,523.00	17.42%
Trading Activities	£11,940.00	1.23%
Legacies	£11,693.00	1.20%
Conferences	£111,839.00	11.49%
Investment Income (Note 1.)	£20,940.00	2.15%
Notional Income (Note 2.)	£9,779.00	1.01%
Other Income (Note 3.)	£56,881.00	5.85%
Gross Income before UK Government Grant	£692,786.00	71.20%
UK Gov't Policy Development Grant(Note 6)	£280,190.00	28.80%
GROSS INCOME Inc. GOVERNMENT GRANT.	£972,976.00	100.00%
E X P E N D I T U R E		
Cost of Fundraising	£11,170.00	1.15%
Cost of Trading Activities	£8,533.00	0.88%
Campaign Expenditure	£337,460.00	34.68%
Staff Costs, Social Security and Pensions(Note 4.)	£319,434.00	32.83%
HQ Running Costs	£144,099.00	14.81%
Notional Expenditure (Note 2.)	£9,779.00	1.01%
Conferences	£62,791.00	6.45%
Other Expenditures(Note 5)	£104,987.00	10.79%
	£998,253.00	
DEFICIT before Finance charges	(£25,277.00)	-2.60%
Bank Loan Interest.	£10,139.00	1.04%
Other Loan Interest.	£2,412.00	0.25%
Finance Leases.	£2,301.00	0.24%
DEFICIT BEFORE DEPRECIATION CHARGES	(£40,129.00)	-4.12%
Depreciation	£25,986.00	2.67%
Total Depreciation Charges for Year.	£25,986.00	2.67%
NETT DEFICIT CARRIED FORWARD FOR YEAR	(£66,115.00)	-6.80%
NETT OPERATIONAL DEFICIT FOR YEAR (LESS POLICY GRANT)	(£346,305.00)	

The Scottish National Party

BALANCE SHEET as at the 31st December 2002

FIXED CAPITAL ASSETS	Original Purchase Cost	Aggregate Depreciation To Date	Nett Book Value
Investments	£83,486.00	Nil	£83,486.00
	£83,486.00	Nil	£83,486.00
Current Assets			
Stock at Year end Valuation		£15,721.00	
Debtors and prepayments.		£15,471.00	
Investments		£173.00	
Cash in Hand		£724.00	
		£32,089.00	
Current Liabilities			
Bank Loan and Overdraft	£192,252.00		
Loans from SNP Branches	£59,443.00		
Other Loans	£163,641.00		
Trade Creditors	£31,253.00		
Taxation and Social Security	£7,799.00		
Obligations under Finance leases	£22,516.00		
Accruals	£9,400.00		
	£486,304.00		
		£486,304.00	
NETT Current Assets / Liabilities			(£454,215.00)
Nett Assets / (Liabilities)			(£370,729.00)
(LESS) Long Term Liability			
Bank Loan		£22,634.00	
Obligations under Finance leases		£27,151.00	
			£49,785.00
Nett Assets (Liabilities) :			(£420,514.00)
Represented by :			
	Capital Account		TOTALS
Opening DEFICIT	(£354,399.00)		(£354,399.00)
Add Funds Introduced during year.			£0.00
Sub Total	(£354,399.00)		(£354,399.00)
ADD Nett (DEFICIT) for year	(£66,115.00)		(£66,115.00)
Subtotal	(£420,514.00)		(£420,514.00)
			£0.00
DEFICIT FOR 2002 CARRIED FORWARD.			(£420,514.00)

**Note 1.
Investment Income.**

This item most probably refers to Rental income for Management Accommodation and services. I assume this to mean Rents charged for accommodation office space and services to party MSP's and/or their research staff(s). It is a fact that Neil MacCormick has his office in Scotland located at Party HQ and this may also apply to others. It should be noted that these rentals would in any case come out of the MSP's/MEP's allowances. The exact number is not stated but I would be very surprised if it were less than 10. In that case, the accommodation charges are extremely cheap by Edinburgh commercial standards. (Average £31 per square foot per annum.)

**Note 2.
Notional Income.**

This is an Accounting exercise to charge a value for the Call Centre services. This may have something to do with the Policy development Grant to show sums disbursed and recovered. Note the Income and expenditure cancel each other out.

**Note 3.
Other Income.**

This is made up of three items:

Field Support Income :	£23,271.00p
Loans to the party adjustment:	£33,499.00p
Miscellaneous:	£111.00p

Insufficient information exists to quantify exactly what the first two terms signify. I suspect the first amount is sundry income donated to the party from various lecture tours and rallies given to the Politicians and staff manning them. I believe the second amount is an accounting exercise adjusting loan balances upwards to show a slightly better picture. Not exactly 'creative accounting' but getting close to it.

**Note 4.
Staff Costs, Social Security and Pensions.**

Staff costs consist of:

Wages and Salaries:	£279,790.00p
Social Security costs:	£26,076.00p
Other Pension Costs:	£13,358.00p

There are 17 Full and part time members of Staff at Headquarters and considering their duties and remit are not too many for the tasks they carry out. Neither does it appear that they are well paid either, the total mean for each member of staff is a paltry £18,790. There are rumours that some staff may be getting P45's in an effort to save money but this is not the area to make cuts. It is the hangers on, the shadowy political consultants whose fees are hidden under 'Campaign Expenditure' that should be axed. There is an old saying. The proof of the pudding is in the eating!' The most recent campaigns have failed to make a breakthrough and my advice to the SNP is: '**Never, Never, Reinforce failure!**' Or don't throw good money after bad!

Note 5. Other Expenditure.

There is just a single entry of £104,987.00p representing 10.79% of the gross income. Normally there would be note in the accounts giving a detailed breakdown but such a note is conspicuous by its absence. Certainly if I were to submit a set of Accounts from one of my Clients to the Revenue, which would be picked up immediately by some gimlet eyed Tax Inspector who would **demand** a complete breakdown. This is a very large sum and I am aware that in previous years, this heading was used to include the then Party leader Alex Salmond's Helicopter hires, his wife's taxi fares, and Hotel bills. For all I know it may cover the costs of the booze from Haddows for the Friday night parties which occur quite regularly, or gold imitation flocked wallpaper Derry Irvine style for the offices? Do the hard-working activists and party loyalists realise that some of the funds they raise at their functions are frittered away like this? If I were an SNP member, then I would be asking some hard and searching questions at Conference about this expense heading.

Note 6. UK Government POLICY DEVELOPMENT GRANT.

You ask 'What is a policy development grant?' This is a good question and the answer itself raises even more profound questions regarding the motivation, ethics and direction of our party of Independence. Accordingly I trawled the UK Government websites and found very little in the public domain. The main reason for such grants ostensibly is to help Political Parties formulate long term policy which will coexist amicably with the existing political framework of the UK and the EU. To develop community politics and to Educate the voting public about the EU Parliament (which you will note, has no real political powers) and its associated Institutions.

In brief Section 12 of the Political Parties, Elections and Referendums Act 2000 restricts eligibility **for Policy Development Grants** to those parties with two or more members in the House of Commons who have made and subscribed to the oath of allegiance to the Crown as required, and are not disqualified from sitting or voting in the House.

This Order makes provision for a Scheme, set out in the Schedule to the Order, for the making, by the Electoral Commission, of grants to political parties ("**policy development grants**") to assist the parties with the development of policies for inclusion in their manifestos for parliamentary elections, elections to the European Parliament, the Scottish Parliament, the National Assembly for Wales, and the Northern Ireland Assembly, local government elections and local elections in Northern Ireland.

The Scheme gives effect, with modifications, to recommendations made to the Secretary of State by the Electoral Commission. The modifications relate primarily to the detailed methodology of the distribution of the amount available for allocation, and have been made with the agreement of the Commission, as required by section 12(7) of the Political Parties, Elections and Referendums Act 2000 ("the Act"). The effect of a further modification is that the Order makes no provision for an in-year adjustment of allocations in the event that a political party becomes "represented" for the purposes of section 12 of the Act in the course of a year.

The Scheme for which the Order provides has effect in relation to the year ending on 31st March 2002, and subsequent years. Has as its objects in Section 11:

(1) The Commission shall promote public awareness of-

- (a) Electoral systems and matters;
- (b) Systems of local government and national government; and
- (c) The Institutions of the European Union.

(2) Subsection (1) does not apply in relation to local government elections, or to local government, in Scotland; but in paragraph (b) of that subsection the reference to national government includes (in addition to the government of the United Kingdom) the government of parts of the United Kingdom for which there are devolved legislatures.

(3) The Commission shall perform their functions under subsection (1) in such manner as they think fit but may, in particular, do so by:

- (a) carrying out programmes of education or information to promote public awareness of any of the matters mentioned in subsection (1); or
- (b) making grants to other persons or bodies for the purpose of enabling them to carry out such programmes.

(4) Any grant under subsection (3)(b) may be made subject to such conditions as the Commission consider appropriate.

(5) The total expenditure incurred in any financial year by the Commission in performing their functions under subsection (1) (whether by making grants or otherwise) shall not exceed such sum as is for the time being specified for the purposes of this subsection by an order made by the Secretary of State with the consent of the Treasury.

I have five observations to make on this Political Parties, Elections and Referendums Act 2000 as detailed below:

1. INCOMPREHENSIBILITY. The Political Parties, Elections and Referendums Act 2000 is an extraordinary complex, labyrinthine, an incondite and prolix document of some 250 pages long and not (for this layman at least) easy to read. Although the Commission's own staff are courteous and endeavour to be helpful, their advice is often contradictory as it seems they are unsure themselves as to the exact meaning of the Act.

2. BUREAUCRATIC MINEFIELD. A register of Political parties is necessary to protect party names, but, It militates against those who are not a member of a registered party making them stand for election with the bare Description "Independent." Local/interest groups may well wish to stand a candidate at an unexpected by-election, or at National and Local elections and they should at least have the facility to describe themselves - at least in their constituency - as "Independent - Against Hospital Closure" as in the Case of Dr. Jean Turner in may.

3. POLITICAL DONATIONS. The provision that individual donors should be on the electoral register discriminates against our young people who will only appear in the year of their 18th birthday. Of course, it is entirely reasonable for parties to ensure they record large donations, and make the quarterly returns to the Commission.

There is a big problem with personal privacy here, giving a donation to a party is in essence a private transaction between the individual and the party. This disclosure clause has always applied to Public Limited Companies whose accounts are open to scrutiny by the general Public at Companies House. For a private individual to have his or hers donation put in a register, accessible to any Tom, Dick or Harry is a breach of the European privacy laws. Their names should only go on the register with their written consent. This goes completely against the "rights to privacy" that the Government claims to have endorsed in the Fundamental Charter of Rights in October 2000.

Let us be practicable about this and consider how this would work in day to day practice. How easy is it to prove donor identity in the party's register against a name on the electoral register in a different part of the country? What if a donor to the Scottish National Party lived in London, has the party organiser to conduct a search of the relevant voter rolls, in say Wandsworth?

4. EUROPE I find it very strange that the UK Electoral Commission should be tasked with generating awareness of 'EU institutions.' This would appear to put it outside its lawful remit as only the European Parliament, have direct public elections in the UK. It is a stark fact that the European Parliament is totally irrelevant to public decision making. If you dispute my point how many people actually voted in the elections in 1999? 24% that's what! The information provided by the Electoral Commission is neither balanced nor impartial.' It would appear the information is biased in favour of Pro European Federalist groups and the case for the Pro Democracy, and anti federalist groups get barely a mention.

5. POLICY DEVELOPMENT GRANTS State funding for 'policy development' grants are available at up to £2m per year. Given the tight limits on expenditure on priority areas such as the NHS and Education, there is great opposition from the electorate of their taxes being used to fund political parties.

"Section 12 of the Political Parties, Elections and Referendums Act 2000 restricts eligibility **for Policy Development Grants** to those parties with two or more members in the House of Commons who have made and subscribed to the oath of allegiance to the Crown as required, and are not disqualified from sitting or voting in the House.

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Having read that, you will agree with me that it does not say very much so we ask these questions:

Why did this fund come into being? The Neill Committee who sat in 1999 saw the development of ideas and long-term policy as one of the key functions of political parties. However, the committee was concerned that political parties were increasingly hard-pressed to keep up with the cost of campaigns and were, as a consequence, increasingly less able to devote resources to the development of long-

term policy. This left them less prepared for the possibility of office.

Quote: ***'It is evident that political parties, hard pressed to meet the mounting costs of election campaigns and also the mounting costs of their day-to-day activities, are driven to concentrate their resources on campaigning and routine administration at the expense of long-term policy development.'***

The purpose of the policy development fund envisaged by the Neill committee is not to provide financial support and assistance to a multitude of smaller parties. Its aim is to help those parties that enjoy significant electoral support with at least 2 Westminster MP's in the fulfilment of one of their functions. Even though a party may enjoy 'significant electoral support' it will be debarred if the party has NOT sworn the oath of allegiance to the Queen. This snippet from the BBC News regarding Sinn Fein's appeal against being refused funding under the formula.

'Mr Justice Coughlin ruled on Friday that the party was not entitled to the funding because its MPs had not taken the oath of allegiance to the crown, which is required in order to sit in the Commons.'

Sinn Fein MP Michelle Gildernew argued in her application for a judicial review that the refusal of the grant to help the development of long-term policies contravened the European Convention of Human Rights.'

Policy development grants were introduced in 2002 following recommendations from the Neill Committee on Standards in Public Life.'

The committee found that political parties were "hard pressed to meet the mounting costs of election campaigns".

End of Quotation.

When did these grants start? On the 31st March 2002.

Was the SNP Eligible? Yes, they had more than two MP's in the Westminster parliament and all these MP's had sworn the due oath of allegiance to the Queen.

Now to get down to the nitty gritty of the SNP getting the sum of £280,190.00p as their share of the grant. On the face of it, this is a welcome windfall.... or is it a poisoned chalice?

Was the distribution fair to the SNP? The formula is fairly complex and works like this: Under the scheme, half of the £2 that is £1m is divided equally among the eight parties that have two or more seats in the House of Commons.

The Party then makes a further application for its share of the remaining £1m under a complex formula taking into account each party's share of the vote.

Are there any strings attached? In my view there are strings designed to exercise control by the UK Government over the activities of the party which are highly dangerous and undemocratic. Let me explain. In the words of a spokeswoman for the Electoral Commission who said that the money was set aside under the terms of the Political Parties, Elections and Referendums Act 2000. ***"We will be receiving applications from the political parties with their suggestions on how they are going to spend money on policy development."***

Expenditures of the grant monies are tightly controlled and a strict accounting regime is in place to justify party expenditures. Any policy that would be harmful to the

interests of the unity of the UK, the UK itself and/or the EU will not be supported. A Policy such as Independence would be disallowed as this would be furthering the breakup of the Union. Can you imagine the UK Government agreeing to a party policy that says in effect, 'We want to leave the UK and become a Nation State again.' No Chance! Any Policy which calls for the reform of the UK Government machinery (EU is included) is likewise debarred and if the UKIP (UK Independence Party) had the minimum number of seats, their policy of withdrawal from the EU would likewise be disallowed under this formula.

In that case WHY DID THE SNP accept this money?

That is the crux of the matter. The Scottish National Party is technically insolvent as shown by the accounts. It was not always so. The party managed to balance the books until 1982 when it had a deficit of £25,183. Since then the deficit has increased from year to year until at December 2002 the deficit stands at £420,514. Why are party funds so low? The party is highly dependent on its loyal hardworking membership both as individuals and branches along with their many friends who support the many fundraising activities. This however is the crux of the matter, but party membership is far too low to sustain the present activities of the party.

The Membership Figures.

Let us take a look at the membership figures in more detail: In 1968, SNP membership stood at 120,000 fully paid up members and the number of branches were 472. In terms of paid membership, the SNP had become the largest political party in Scotland, Ten years later in 1978 that number had fallen to 28,000 and approx. 450 branches. In 2002 the membership had fallen to 16,000 and 255 branches. This number is clearly not enough to pull the party back into the black. Although if each member contributed £26, the deficit would be wiped out. The problem lies with the fact that the membership is aging and does not have the earning power to make such a gift.

The SNP needs more Members, preferably younger, high earning members who can support the cause financially. Unhappily there are branches that are withering on the vine, slowly dying for want of new blood and enthusiasm. Internal Party discipline has not helped either in the recent cases of members and branches being expelled for questioning party policy or the leader. The decline in membership is indicative of a deeper, more fundamental malaise which reveals itself in:

The Financial Crisis.

To put not too fine a point on it, the SNP is Broke! Annual deficit piles upon annual deficits to the point where it stands at £420,514. If we remove the Policy development grant from the equation then the accounts deficit of £66,115 jumps to £346,305 for the year ended 31st December 2002. This is almost as much as the Deficit accumulated from 1982 to the 31st December 2001 of £354,399. In other words the deficit would have doubled in one year! Worse is yet to come. There is a figure being bandied about Edinburgh that the SNP spent £226,000 on the May 1st elections. This figure cannot be verified as the return has not yet been lodged with the Electoral Commission. It is well within reason to assume the Deficit will by now stand at £600,000. **What has gone wrong?**

In my view this points to lack of a proper business plan with tight financial controls to keep within the constraints of a limited budget. The Party leaders must LEAD in this with a firm grip on the purse-strings at ALL LEVELS FROM THE BOTTOM RIGHT UP TO THE TOP! The Party is clearly living beyond its means and in business terms is technically insolvent. Any firm trading whilst 'knowingly Insolvent' would have had its Directors charged with several criminal offences. If the SNP were a Company then it would have been declared bankrupt long before now. Any Company reporting such losses and financial mismanagement would be facing a very hostile shareholder meeting and the directors and those responsible would be clutching P45's in their mitts as they got booted out.

We may see this happen at Conference in September as far as I am aware the membership at large do not know the true facts. It is likely that the party leadership is trying to cover up a 'Black hole' in the accounts. The figures are being creatively massaged by Archer and Mather so as to put the best possible face on them at the Inverness conference in an effort to pull the wool over the eyes of the membership. They're spending far more than they earn. Remember Charles Dicken's Mr Micawber? "Annual income twenty shillings, Annual expenditure nineteen shillings and sixpence, result Happiness. Annual income twenty shillings, Annual expenditure twenty shillings and sixpence, result MISERY!" The SNP is heading for the Bridewell debtor's prison! Finally a few words of advice for John Swinney and his cronies who created this mess. Remember where the buck stops? **When stuck in a deep hole...STOP DIGGING!**

Last weekend a conversation was overheard by one of our Siol members in a well-known Edinburgh eatery. Two senior party members were discussing their colleagues' peccadillos, who was sleeping with whom, relating insults and making disparaging remarks about the Party leadership and the party members. In Particular one made a remark about some members who had been asking awkward questions '**Uncouth hairy peasants! What do they know?**' I would like to remind these senior party panjandrums that the membership exist not to provide them with a lucrative political career but to lead the party and the country into Independence. I can remember a time when the peasants dusted off the tumbrils, erected guillotines in the market squares and downsized the leadership of the day. History could well repeat itself figuratively.....

First define the problem?

The problems are plain to be seen: Gross incompetence or at the very least, mismanagement. Bad leadership (or ignorance?) A Control Freak Leader and his cabal who have turned the SNP into a clone of New Labour. Harsh Stalinist discipline that will not tolerate dissent. Advisors who do not have the confidence of the membership, the Business community and just as importantly, the financial community. Suicidal policies such as 'Independence in Europe' which is a real turn off to Scottish voters who can see for themselves the vast damage done to Scotland's Steel Industry, Fishing, Agriculture and a host of others. A Culture of cronyism that drives talented rivals out into the wilderness. A leadership that is economical with the truth. The abysmally low party morale. Plenty of problems there....

The solution? What can be done?

First ask the membership, They know what is wrong, their morale is at an all time

low. The party has lost well more than 110,000 members why? A Leadership that does not listen nor cares about them as they pursue their political careers. Attempting to sell useless policies which strike no chords with the ordinary voters who want to hear one thing. **A CLEAR CLARION CALL FOR INDEPENDENCE!** A Clarion Call that the people of Scotland are thirsting for. I know a great many ordinary SNP members and activists and their disillusionment with the SNP is heartbreaking. Many will no longer vote at all so great is their disgust at this once great party. The party will have to get rid of the dead wood at the very top.

The party needs a really charismatic leader who can really stand out at the front by personal example and not by telling the members what to do as happens at present.

Be honest with the members, be truthful, can the party leadership bring themselves to admit that they got it wrong? Rebuild the party structure. Listen to what the grass roots have to say and ACT on it. Give real leadership to ordinary Scots, lead them to Independence, not waffle on about it! Stop taking the Government 'Policy development Grant' bribe that muzzles the messenger and the message. Stand up for Independence alone without which all else is cosmetic frippery. Finally get down on bended knees, tell Margo MacDonald that you are sorry to have treated her so despicably, ask her to return and then stand down and let Margo, a real Nationalist take over as leader. Then really pull all shades of Nationalism together towards one single goal. Sort out the finances quickly. Well led and motivated patriots will soon provide the party with fighting funds. It can be done and it will be done!

SAOIR ALBA! SET SCOTLAND FREE!

Niall U'Aislainn. 12th August 2003.