



# The Liberal Democrats (The Federal Party)

## Annual Report

### Year Ended

31 December 2020

*“The Liberal Democrats exist to build and safeguard a free, fair and open society, in which we balance the fundamental values of liberty, equality and community and in which no-one shall be enslaved by poverty, ignorance or conformity.”*

Preamble to the Federal Party Constitution.



The Liberal Democrats (The Federal Party)  
Financial Statements for the year ended 31 December 2020

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# The Liberal Democrats (The Federal Party) Financial Statements for the year ended 31 December 2020

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## Party Officers

Registered Officers under PPERA

|                                 |  |
|---------------------------------|--|
| Leader (interim joint leaders): | Sir Ed Davey / Dr Mark Pack (to July 2020) |
| Leader:                         | Sir Ed Davey (from July 2020)              |
| Registered Treasurer:           | Anthony Harris                             |
| Nominating officer:             | Sarah Morris                               |
| Campaigns officer:              | Mike Dixon                                 |

Office Holders

|                                 |                       |
|---------------------------------|-----------------------|
| English Party Chair:            | Gerald Vernon Jackson |
| Convenor of the Scottish Party: | Sheila Ritchie        |
| Chair of the Welsh National     |                       |
| Executive Committee:            | Paula Yates           |
| Treasurer:                      | Lord Mike German      |
| Chief Executive:                | Mike Dixon            |
| Party President:                | Dr Mark Pack          |

The Party Leader is elected by a postal ballot of all members in accordance with Article 17 of the constitution. The Party President is elected for a 3-year term by ballot of all members of the Party in accordance with Article 19.1 of the constitution.

## Party Headquarters

2<sup>nd</sup> floor, 8-10 Great George Street, London, SW1P 3AE

## Auditor

Mazars LLP, Tower Bridge House, St Katharine's Way, London, E1W 1DD

# The Liberal Democrats (The Federal Party)

## Report of the Party Officers for the year ended 31 December 2020

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The Liberal Democrats (The Federal Party) is a federation constituted by the Scottish Liberal Democrats, the Welsh Liberal Democrats (Democratiaid Rhyddfrydol Cymru) and the Liberal Democrats in England (together, “The State Parties”). The Liberal Democrats in England is a federation of the Regional Parties in England. The Regional Parties comprise a number of Local Parties.

The Liberal Democrats (The Federal Party) is constituted under section 26 of the Political Parties, Elections and Referendums Act 2000 as a central organisation with 417 accounting units.

These financial statements deal solely with the activities of the Federal Party as set out in Article 2 of the Constitution of the Federal Party. They do not include the income, expenditure, assets or liabilities of the State, Regional, Local Parties, or any other bodies.

### 1. *Administrative information*

#### **Committees**

The following committees operate within The Liberal Democrats (The Federal Party) (“the Federal Party”, “the Party”) to oversee and manage the organisation’s business. The terms of reference for each committee are contained within the Party’s constitution. The Chairs of the respective committees are:

Federal Board – [REDACTED]  
Federal Policy – [REDACTED]  
Federal Conference – [REDACTED]  
Federal Finance & Resources – [REDACTED]  
Federal Communications & Elections – [REDACTED]  
Federal People Development: [REDACTED] (to October 2020)  
Federal People Development: [REDACTED] (from October 2020)  
Federal International Relations – [REDACTED]  
Federal Audit & Scrutiny Committee – [REDACTED]

Conference is the sovereign representative body of the Party with the power to determine its policies. In addition to setting the Party’s policies, Conference also receives reports from the federal committees, Westminster parliamentary and European parliamentary parties. Membership of Conference is defined by article 8.10 of the constitution.

Conference is organised by the Federal Conference Committee (FCC), membership of which is defined by article 9.2 of the constitution.

Between conferences the Federal Policy Committee (FPC) is responsible for researching, developing and overseeing the policy making process. Membership of the FPC is defined by article 10.2 of the constitution.

The Federal Board (FB) is responsible for directing, co-ordinating and overseeing the implementation of the strategy and the work of the Federal Party. Membership of the FB is defined by article 6.2 of the constitution.

## The Liberal Democrats (The Federal Party) Report of the Party Officers for the year ended 31 December 2020

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The Federal Finance & Resources Committee (FFRC) is responsible for the planning and administration of the budget and finances of the Federal Party, overseeing the administration of the Federal Party and ensuring compliance of the Party at all levels with the provisions of the Political Parties, Elections and Referendums Act 2000 as amended by the Political Parties and Election Act 2009 and by the Electoral Administration Act 2006. The FFRC is also responsible for ensuring that there are adequate financial controls and systems in place. Membership of the FFRC is defined by article 11.2 of the constitution.

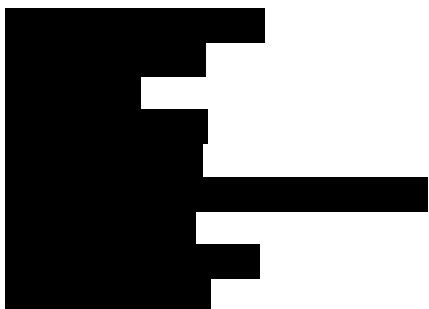
The Federal Communications and Elections Committee (FCEC) is responsible for overseeing the implementation of the Party's strategy in relation to elections, campaigns and communications. Membership of the FCEC is defined by article 12.2 of the constitution.

The Federal People Development Committee (FPDC) is responsible for co-ordinating, planning and supervising the training, diversity engagement, and membership recruitment, retention and activation strategies for the Party, in addition to working with Associated Organisations and Specified Associated Organisations to support them in recruiting and maintaining membership, and implementing the Party's policies on diversity. Membership of the FPDC is defined by article 13.3 of the constitution.

The Federal International Relations Committee (FIRC) is responsible for the Party's international liaison. A full list of responsibilities is laid out in article 14.1 of the constitution. Membership of the FIRC is defined by article 14.2 of the constitution.

The Federal Audit and Scrutiny Committee (FASC) is appointed by the Federal Board. The FASC's responsibilities are defined by article 15.2 of the constitution and include the appointment of the Federal Party's auditor including meeting with the auditor and receiving its reports. The membership of the FASC is defined in article 15.3 of the constitution.

The members of the FASC are:



Those marked with an asterisk are only observers and do not have the right to vote.

# The Liberal Democrats (The Federal Party)

## Report of the Party Officers for the year ended 31 December 2020

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### **Elected representatives**

The Party has 11 elected members of the Westminster Parliament and 16 members of the European Parliament (to January 2020). In addition there are 92 Liberal Democrat members of the House of Lords, five Liberal Democrat members of the Scottish Parliament, one Liberal Democrat member of the Welsh Assembly and one Liberal Democrat member of the Greater London Authority. As of December 2020 there were approximately 2,544 Liberal Democrat Councillors. There are also two directly elected Liberal Democrat Mayors.

### **Staffing**

The principal permanent members of staff are:

Chief Executive – [REDACTED]  
Director of Elections & Campaigns: [REDACTED] (to March 2020)  
Director of Communications: [REDACTED] (to September 2020)  
Director of Strategy, Research and Messaging: [REDACTED] (from August 2020)  
Director of Field Campaigns: [REDACTED] (from October 2020)  
Deputy Chief Executive & Director of Fundraiser: [REDACTED] (to August 2020)  
Chief Operating Officer: [REDACTED] (from October 2020)  
Director of Operations: [REDACTED]  
Chief Technology Officer: [REDACTED] (from November 2020)  
Financial Controller: [REDACTED]

### **Accounting units**

The Party has 417 accounting units registered with the Electoral Commission.

## **2. *Review of political activities***

This was a year dominated by Coronavirus and the impact this had on the country and people's lives. Local elections were cancelled and campaigning was heavily restricted by lockdowns.

Our councillors focused on getting things done for local people, and ensured that they got support through this unprecedented challenge. Our parliamentarians held Government to account and campaigned strongly in Westminster, Holyrood and the Senedd. And in our work as part of the Welsh Government we led the way on education.

Early in the year we published an independent review of our performance in the 2019 General Election. This made comprehensive recommendations for how we do things better in future, and there was broad consensus in the party about implementing it seriously.

Over the year we made substantial progress in modernising how we work, shifting our internal resources and changing our governance. These have given us stronger internal controls and capability.

## The Liberal Democrats (The Federal Party) Report of the Party Officers for the year ended 31 December 2020

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Our income was hit by cancelled local elections and our restricted ability to campaign. This meant we made cost-savings in year to ensure we plan our finances in a sustainable way over the Westminster electoral cycle.

We held a leadership election and elected a new leader, Ed Davey MP, who brought a focus on care, fairness and green issues to the forefront of our work.

Like many organisations, we shifted to remote working for much of the year. We had made strategic decisions early to improve our technology and communications, which made this shift easier and more successful than it would otherwise have been. We have found many ways of doing things differently and better as a result, and intend to maintain and build on many of the changes we've put in place.

We held our large autumn conference online, with notable success.

Our focus in the second half of the year was preparing for the elections in May 2021.



**Mike Dixon**  
CEO  
30 June 2021



# The Liberal Democrats (The Federal Party)

## Report of the Registered Treasurer for the year ended 31 December 2020

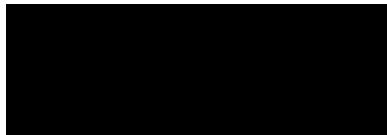
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### Financial review

Like most organisations, the year 2020 was a difficult one for the Federal Party because of the coronavirus pandemic. We entered the year in the wake of the 2019 General Election which, while disappointing in terms of its result, did enable us to build up a positive reserve position. Membership and donations income in the first quarter was slightly behind expectations although this was anticipated to ease slightly with the publication of the General Election review at the beginning of the second quarter. However, everything was then overshadowed by the Coronavirus pandemic and its knock-on financial effects in terms of fundraising, campaigning, Spring conference, and local elections. The inability to hold physical fundraising events and meet potential donors in person put further strain on our finances.

As the organisation quickly adjusted to working remotely, we were able to hold our Autumn Conference online. This was successful and well attended, however it did not generate as much income as a physical conference.

The Federal Party ended the year 2020 with a deficit of £1.2m which reduced our brought forward reserve of £3.6m to £2.4m.



Anthony Harris  
**Registered Treasurer**  
30 June 2021

## The Liberal Democrats (The Federal Party) Statement of Registered Treasurer's responsibilities

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The Registered Treasurer of the Party is required by the Political Parties, Elections and Referendums Act 2000 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Party and of its surplus or deficit for that period. In preparing those financial statements, the Registered Treasurer is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Party will continue in business.

Section 41 of the Act requires that the Registered Treasurer is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Party at that time and to enable him to ensure that the financial statements comply with the Act.

Section 43 of the Act requires that the Registered Treasurer is responsible for delivery of the statement of accounts to the Electoral Commission by the required deadline.

The Registered Treasurer is also responsible for safeguarding the assets of the Party and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Registered Treasurer has taken all steps he ought to have taken to make himself aware of any information required by the auditor for the purpose of their audit and to establish that the auditor is aware of that information. The Registered Treasurer is not aware of any relevant information of which the auditor is unaware.

# Independent Auditor's Report to The Federal Conference of The Liberal Democrats (The Federal Party)

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## **Opinion**

We have audited the financial statements of The Liberal Democrats (The Federal Party) ('The Federal Party') for the year ended 31 December 2020 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Statement of Accounts Guidance Notes issued by the Electoral Commission.

In our opinion, the financial statements:

- give a true and fair view of the state of The Federal Party's affairs as at 31 December 2020 and of its surplus/deficit for the year then ended;
- have been properly prepared in accordance with the Statement of Accounts Guidance Notes issued by the Electoral Commission; and
- have been prepared in accordance with the requirements of the Political Parties, Elections and Referendums Act 2000.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of The Federal Party in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Federal Party's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Federal Party's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Registered Treasurer with respect to going concern are described in the relevant sections of this report.

## **Other information**

The Registered Treasurer is responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## Independent Auditor's Report to The Federal Conference of The Liberal Democrats (The Federal Party)

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Registered Treasurer**

As explained more fully in the statement of Registered Treasurer's responsibilities set out on page 8, the Registered Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Registered Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Registered Treasurer is responsible for assessing The Federal Party's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Registered Treasurer intends to liquidate The Federal Party or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Federal Party and its activities, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Political Parties, Elections and Referendums Act 2000.

We evaluated the Registered Treasurer's and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting

## Independent Auditor's Report to The Federal Conference of The Liberal Democrats (The Federal Party)

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manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Registered Treasurer and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Federal Party which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:


- Making enquiries of the Registered Treasurer and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of the audit report

This report is made solely to the Federal Conference of the Liberal Democrats (The Federal Party) as a body in accordance with section 43 of the Political Parties, Elections and Referendums Act 2000. Our audit work has been undertaken so that we might state to the Federal Conference of the Liberal Democrats (The Federal Party) those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Federal Conference of the Liberal Democrats (The Federal Party) as a body for our audit work, for this report, or for the opinions we have formed.



**William Neale Bussey (Senior Statutory Auditor) for and on behalf of Mazars LLP**  
Chartered Accountants and Statutory Auditor  
Tower Bridge House, St Katharine's Way, London, E1W 1DD  
30 June 2021

The Liberal Democrats (The Federal Party)  
Income and Expenditure Account  
For the year ended 31 December 2020

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|  | Note | 2020<br>£                 | 2019<br>£                |
|--|------|---------------------------|--------------------------|
| <b>Income</b>                            |      |                           |                          |
| Donations                                |      | <b>1,388,023</b>          | 19,615,866               |
| Membership and subscription fees         |      | <b>1,860,684</b>          | 2,315,018                |
| Conference income                        | 2    | <b>168,110</b>            | 658,481                  |
| Notional income                          | 3    | -                         | 93,100                   |
| Grants                                   | 4    | <b>457,522</b>            | 687,704                  |
| Interest receivable                      |      | <b>1,319</b>              | 15                       |
| Recharges to party bodies                | 5    | <b>1,111,687</b>          | 1,048,291                |
| Other income                             | 6    | <b>329,401</b>            | 199,467                  |
|  |      | <b><u>5,316,746</u></b>   | <b><u>24,617,942</u></b> |
| <b>Expenditure</b>                       |      |                           |                          |
| Fundraising expenditure                  |      | <b>41,063</b>             | 78,722                   |
| Conference expenditure - direct          | 2    | <b>194,952</b>            | 386,953                  |
| Notional expenditure                     | 3    | -                         | 93,100                   |
| Depreciation and amortisation            | 7    | <b>36,295</b>             | 38,146                   |
| Campaign expenditure                     |      | <b>334,973</b>            | 12,494,806               |
| Staff costs                              | 8    | <b>3,449,545</b>          | 3,493,263                |
| Premises & office costs                  |      | <b>918,302</b>            | 1,468,952                |
| IT & polling costs                       |      | <b>491,235</b>            | 580,644                  |
| Interest payable and similar charges     | 10   | <b>51,043</b>             | 109,120                  |
| Grants to party bodies                   | 11   | <b>676,018</b>            | 630,300                  |
| Services to members                      |      | <b>157,896</b>            | 254,791                  |
| Audit fees                               | 7    | <b>40,690</b>             | 47,153                   |
| Other expenditure                        |      | <b>101,735</b>            | 229,967                  |
|  |      | <b><u>6,493,747</u></b>   | <b><u>19,905,926</u></b> |
| <b>(Deficit)/surplus before taxation</b> | 7    | <b>(1,177,001)</b>        | 4,712,016                |
| Taxation surplus/(deficit)               | 12   | -                         | -                        |
| <b>(Deficit)/surplus for the year</b>    |      | <b><u>(1,177,001)</u></b> | <b><u>4,712,016</u></b>  |

The Liberal Democrats (The Federal Party)  
Balance Sheet as at 31 December 2020

|  | Note | 2020<br>£        | 2020<br>£                      | 2019<br>£        | 2019<br>£               |
|--|------|------------------|--------------------------------|------------------|-------------------------|
| <b>Fixed assets</b>  |      |                  |                                |                  |                         |
| Tangible assets  | 13   |                  | <b>24,569</b>                  |                  | 60,864                  |
| <b>Current assets</b>  |      |                  |                                |                  |                         |
| Debtors  | 14   | <b>552,207</b>   |                                | 468,868          |                         |
| Short term investments   | 15   | <b>501,617</b>   |                                | -                |                         |
| Cash at bank and in hand                                       |      | <u>2,299,931</u> |                                | <u>6,562,087</u> |                         |
|  |      | <b>3,353,755</b> |                                | <b>7,030,955</b> |                         |
| <b>Creditors: amounts falling due within one year</b>          |      |                  |                                |                  |                         |
| Creditors  | 16   | <b>(570,611)</b> |                                | (2,739,105)      |                         |
| <b>Net current assets</b>                                      |      |                  | <u><b>2,783,144</b></u>        |                  | <u>4,291,850</u>        |
| <b>Total assets less current liabilities</b>                   |      |                  | <b>2,807,713</b>               |                  | 4,352,714               |
| <b>Creditors: amounts falling due after more than one year</b> |      |                  |                                |                  |                         |
| Loans  | 17   |                  | -                              |                  | (200,000)               |
| <b>Provisions for liabilities</b>                              | 18   |                  | <b>(352,200)</b>               |                  | (520,200)               |
| <b>Net assets</b>  |      |                  | <u><u><b>2,455,513</b></u></u> |                  | <u><u>3,632,514</u></u> |
| <b>Reserves</b>  |      |                  |                                |                  |                         |
| General Fund   | 19   |                  | <b>2,410,513</b>               |                  | 3,587,514               |
| Reserve Fund   | 19   |                  | <b>45,000</b>                  |                  | 45,000                  |
| <b>Total deficit</b>   |      |                  | <u><u><b>2,455,513</b></u></u> |                  | <u><u>3,632,514</u></u> |

The financial statements were approved by the Federal Finance & Resources Committee on 30 June 2021.



Anthony Harris  
Registered Treasurer

The Liberal Democrats (The Federal Party)  
Cash Flow Statement  
For the year ended 31 December 2020

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|  | Note | 2020<br>£                 | 2019<br>£               |
|--|------|---------------------------|-------------------------|
| <b>Net cash (outflow)/inflow from operating activities</b> | 22   | <b>(3,963,475)</b>        | 6,995,177               |
| <b>Returns on investment and servicing of finance</b>      |      |                           |                         |
| Interest received  |      | 1,319                     | 15                      |
| <b>UK Tax paid</b>   |      | -                         | -                       |
| <b>Cash from financing activities:</b>                     |      |                           |                         |
| External loan received                                     |      | -                         | 200,000                 |
| External loan repaid                                       |      | <b>(300,000)</b>          | (100,000)               |
| <b>(Decrease)/increase in cash &amp; cash equivalents</b>  | 23   | <b><u>(4,262,156)</u></b> | <b><u>7,095,192</u></b> |



## 1 Accounting policies

The Liberal Democrats (The Federal Party) is a federation constituted by the Scottish Liberal Democrats, the Welsh Liberal Democrats (Democratiaid Rhyddfrydol Cymru) and the Liberal Democrats in England (together, "The State Parties"). The Liberal Democrats in England is a federation of the Regional Parties in England. The Regional Parties comprise a number of Local Parties.

The Liberal Democrats (The Federal Party) is constituted under section 26 of the Political Parties, Elections and Referendums Act 2000 as a central organisation with 417 accounting units. Details of these units are available from party headquarters.

These financial statements deal solely with the activities of the Federal Party as set out in Article 2 of the Constitution of the Federal Party. They do not include the income, expenditure, assets or liabilities of the State, Regional, Local Parties, or any other bodies.

### **Basis of preparation**

The Liberal Democrats (The Federal Party) is not incorporated in law and is thus not bound by the Companies Act 2006. The Party is required to prepare financial statements in accordance with the Political Parties, Elections and Referendums Act 2000 ("PPERA"). The financial statements have been prepared under the historical cost convention, and in accordance with applicable law and the statement of Accounts Guidance Notes issued by Electoral Commission.

### **Going concern**

The Liberal Democrats (The Federal Party) shares a banking facility with certain other Liberal Democrat entities (the "entities"), and there is a right of set off between bank accounts of the entities. The Registered Treasurer has therefore considered the applicability of the going concern basis of preparation of the financial statements by reference to the aggregated financial position of the entities.

In addition to stable income in the form of various grants, Short Money, and Cranborne Money, the entities receive income from membership subscriptions and donations. Membership subscription income has been projected forward based on income and renewal levels of relevant prior years. Donation income is inherently unpredictable and comprises regular payments and ad-hoc donations. These income streams have also been projected forward using an historical analysis and conservative forward-looking assumptions. The Federal Party also benefits from occasional legacy income which is unpredictable and difficult to forecast. Legacy income has been included in the projections using the average amount of legacies received over the last five years.

Management has reviewed the aggregated cash flow projections for the entities to the end of June 2022 which indicate that the entities are expected to be able to operate within the currently available bank facility throughout that period. The Party has reviewed the sensitivities around membership and donation income and in the event of a significant decrease will take mitigating actions if necessary.

## 1 Accounting policies (continued)

The following principal accounting policies have been applied:

### **Income recognition**

Income is recognised when all of the following conditions have been met:

- The Party is entitled to the asset;
- There is reasonable certainty that the asset will be received; and
- The value of the asset can be measured with reasonable certainty.

Applying these criteria to specific types of income results in the following treatment:

- Donations of monetary assets and liquid investments are recognised in the Income and Expenditure account on receipt. Donations of notional income are recognised on receipt at the relevant market value of the item or service received with an expense of the same amount being recognised contemporaneously.
- Policy Development Fund grant is recognised in the Income and Expenditure account when the conditions for receipt of the grant have been met and Joseph Rowntree Reform Trust grant is recognised when the grant is received per agreed payment schedule.
- Membership and subscription fees are recognised on a receipts basis.
- Legacies are recognised when the personal representatives of the deceased have notified the Party of the legacy, they have obtained grant of representation and there are no significant matters outstanding concerning the precise division of the estate. Legacies received in the year are included as part of donation income.
- Conference income, and the State Party Levy are recognised on an accruals basis.
- Interest receivable is recognised in the Income and Expenditure account on an accruals basis.

### **Depreciation**

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

|                       |   |          |
|-----------------------|---|----------|
| Computer software     | - | 5 years  |
| Fixtures and fittings | - | 10 years |

### **Fixed asset investments**

Fixed asset investments are stated at their year-end bid price. As a result, the income and expenditure account includes those unrealised gains and losses arising from the revaluation of the investment portfolio at the year end.

### **Campaign expenditure**

The Party does not provide a breakdown of campaign expenditure between campaigns as the officers believe such an analysis would not be possible, given the continuous expenses incurred on multiple campaigns.

## 1 Accounting policies (continued)

### Recharged expenditure

The Federal Party meets the majority of the overheads incurred by the English State Party and some of those incurred by the Parliamentary Office of the Liberal Democrats and the Scottish and Welsh State Parties. These costs are recovered through the Federal Party recharge.

### Leased assets

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

### Pension benefit

Defined benefit pension scheme:

The Party formerly sponsored the Liberal Headquarters 1975 Retirement Fund. As at the year end the scheme was in surplus and had only one deferred member and no active members. In January 2014 the scheme purchased a deferred annuity for the one remaining member and in June 2014 the Party commenced the winding up of the scheme. It is anticipated that the wind up of the scheme will be completed by the end of 2021.

The amounts involved are not reflected in the accounts as they are not material.

Defined contribution scheme:

Contributions to the Party's defined contribution pension scheme are charged to the Income and Expenditure account in the year in which they become payable.

### Tax

As a voluntary society, tax is only charged on investment income.

## 2 (Deficit)/surplus on conferences

|                                | 2020<br>£   | 2019<br>£   |
|--------------------------------|-------------|-------------|
| Income                         | 168,110     | 658,481     |
| Expenditure                    |             |             |
| Direct costs                   | 194,952     | 386,953     |
| Premises & office costs        | 20,651      | 21,365      |
| Staff costs                    | 164,569     | 152,759     |
|                                | <hr/>       | <hr/>       |
| Total expenditure              | 380,172     | 561,077     |
|                                | <hr/>       | <hr/>       |
| (Deficit)/surplus for the year | (212,062)   | 97,404      |
|                                | <hr/> <hr/> | <hr/> <hr/> |

### 3 Notional income and expenditure

|                                  | <b>2020</b>                 | 2019                        |
|----------------------------------|-----------------------------|-----------------------------|
|                                  | £                           | £                           |
| Market value of services donated | -                           | 93,100                      |
|                                  | <u>                    </u> | <u>                    </u> |

### 4 Grants received

|                                    | <b>2020</b>                 | 2019                        |
|------------------------------------|-----------------------------|-----------------------------|
|                                    | £                           | £                           |
| Joseph Rowntree Reform Trust grant | -                           | 211,242                     |
| Policy development grant           | 457,522                     | 476,462                     |
|                                    | <u>                    </u> | <u>                    </u> |
|                                    | <u>                    </u> | <u>                    </u> |

### 5 Recharges to party bodies

|                                     | <b>2020</b>                 | 2019                        |
|-------------------------------------|-----------------------------|-----------------------------|
|                                     | £                           | £                           |
| Fixed cross charge to State Parties | 902,634                     | 820,075                     |
| Charges to other party bodies       | 209,053                     | 228,216                     |
|                                     | <u>                    </u> | <u>                    </u> |
|                                     | <u>                    </u> | <u>                    </u> |

The fixed cross charge represents agreed recharges between the Federal Party and State Parties to cover services provided by the Federal Party.

### 6 Other income

|   | <b>2020</b>                 | 2019                        |
|---|-----------------------------|-----------------------------|
|   | £                           | £                           |
| Westminster Foundation for Democracy management fee | -                           | 5,646                       |
| Events income                                       | 2,375                       | 40,264                      |
| Newspaper income                                    | 17,460                      | 23,169                      |
| Affinity income                                     | 11,311                      | 10,750                      |
| Miscellaneous income                                | 298,255                     | 119,636                     |
|   | <u>                    </u> | <u>                    </u> |
|   | <u>                    </u> | <u>                    </u> |

## 7 (Deficit)/surplus before taxation

|   | <b>2020</b>       | 2019              |
|---|-------------------|-------------------|
|   | £                 | £                 |
| The (deficit)/surplus before taxation is stated after charging: |                   |                   |
| Auditors' remuneration - audit of financial statements          | 22,690            | 18,653            |
| - other regulatory reporting                                    | 18,000            | 28,500            |
| Operating lease charge - property                               | 444,609           | 436,050           |
| - equipment   | 5,280             | 5,280             |
| Depreciation  | 36,295            | 38,146            |
|   | <u>          </u> | <u>          </u> |

## 8 Employees

|                           | <b>2020</b>       | 2019              |
|---------------------------|-------------------|-------------------|
|                           | £                 | £                 |
| Staff costs consist of:   |                   |                   |
| Wages and salaries        | 2,645,707         | 2,540,846         |
| Social security costs     | 271,324           | 252,612           |
| Other pension costs       | 204,013           | 175,493           |
| Other staff related costs | 328,501           | 524,312           |
|                           | <u>          </u> | <u>          </u> |
|                           | <u>3,449,545</u>  | <u>3,493,263</u>  |

Other staff costs include recruitment, training, travel and other related costs.

The average number of employees during the year was as follows:

|  | <b>2020</b>       | 2019              |
|--|-------------------|-------------------|
|  | Number            | Number            |
|  | 70                | 79                |
|  | <u>          </u> | <u>          </u> |

## 9 Remuneration of Registered Party Officers

None of the Registered Officers under PPERA or Committee Chairs received any remuneration in that capacity in 2020 (2019 - £nil).

## 10 Interest payable and similar charges

|                  | <b>2020</b>       | 2019              |
|------------------|-------------------|-------------------|
|                  | £                 | £                 |
| Bank charges     | 50,284            | 107,513           |
| Interest payable | 759               | 1,607             |
|                  | <u>          </u> | <u>          </u> |
|                  | <u>51,043</u>     | <u>109,120</u>    |

## 11 Grants to party bodies

|  | <b>2020</b>    | 2019           |
|--|----------------|----------------|
|  | £              | £              |
| Grants to Specified Associated Organisations | 326,310        | 324,756        |
| Grants to other party bodies                 | 349,708        | 305,544        |
|  | <u>676,018</u> | <u>630,300</u> |

## 12 Taxation on surplus from ordinary activities

|                               | <b>2020</b> | 2019     |
|-------------------------------|-------------|----------|
|                               | £           | £        |
| Taxation on investment income | -           | -        |
|                               | <u>-</u>    | <u>-</u> |

## 13 Tangible assets

|                       | <b>Computer<br/>software</b> | <b>Fixtures<br/>&amp; fittings</b> | <b>Total</b>          |
|-----------------------|------------------------------|------------------------------------|-----------------------|
|                       | £                            | £                                  | £                     |
| <i>Cost</i>           |                              |                                    |                       |
| At 1 January 2020     | 323,415                      | 362,922                            | 686,337               |
| Additions             | -                            | -                                  | -                     |
| At 31 December 2020   | <u><b>323,415</b></u>        | <u><b>362,922</b></u>              | <u><b>686,337</b></u> |
| <i>Depreciation</i>   |                              |                                    |                       |
| At 1 January 2020     | 323,415                      | 302,058                            | 625,473               |
| Charge for the year   | -                            | 36,295                             | 36,295                |
| At 31 December 2020   | <u><b>323,415</b></u>        | <u><b>338,353</b></u>              | <u><b>661,768</b></u> |
| <i>Net book value</i> |                              |                                    |                       |
| At 31 December 2020   | <u><b>-</b></u>              | <u><b>24,569</b></u>               | <u><b>24,569</b></u>  |
| At 31 December 2019   | <u><b>-</b></u>              | <u><b>60,854</b></u>               | <u><b>60,854</b></u>  |

## 14 Debtors

|   | <b>2020</b>    | 2019           |
|---|----------------|----------------|
|   | £              | £              |
| Trade debtors                                     | 2,215          | 7,271          |
| Amounts owed by Liberal Democrat related entities | 285,151        | 224,056        |
| Other debtors                                     | 35,797         | 22,928         |
| Prepayments and accrued income                    | 229,044        | 214,613        |
|   | <u>552,207</u> | <u>468,868</u> |

## 15 Short term investments

|                                     | <b>2020</b>    | 2019     |
|-------------------------------------|----------------|----------|
|                                     | £              | £        |
| <b>Quoted shares and securities</b> |                |          |
| Market value at 1 January 2020      | -              | -        |
| Additions                           | 501,716        | -        |
|                                     | <u>501,716</u> | <u>-</u> |
| Market value at 31 December 2020    | <u>501,716</u> | <u>-</u> |
|                                     | <u>501,716</u> | <u>-</u> |

At 31 December 2020 the following investments made up more than 5% of the portfolio:

|                                       |      |
|---------------------------------------|------|
| Vanguard Global Short-term Bond Index | 100% |
|---------------------------------------|------|

## 16 Creditors: amounts falling due within one year

|   | <b>2020</b>    | 2019             |
|---|----------------|------------------|
|   | £              | £                |
| Loan  | -              | 100,000          |
| Amounts owed to Liberal Democrat related entities | 94,327         | 214,727          |
| Trade creditors                                   | 36,573         | 1,810,681        |
| Other taxation and social security                | 104,351        | 164,336          |
| Other creditors                                   | 142,523        | 133,969          |
| Accruals and deferred income                      | 192,837        | 315,392          |
|   | <u>570,611</u> | <u>2,739,105</u> |

## 17 Loans

|  | <b>2020</b> | 2019           |
|--|-------------|----------------|
|  | £           | £              |
| Loan: amounts falling due after more than one year | -           | 200,000        |
| Loan: amounts falling due within one year          | -           | 100,000        |
|  | <u>-</u>    | <u>300,000</u> |

All loans were repaid in the year.

## 18 Provisions for liabilities

|                     | <b>Regulatory<br/>matters and<br/>claims<br/>£</b> | <b>Dilapidations<br/>£</b> | <b>Total<br/>£</b> |
|---------------------|--|----------------------------|--------------------|
| At 1 January 2020   | 425,000  | 95,200                     | 520,200            |
| Utilised            | (130,000)  | -                          | (130,000)          |
| Released            | (227,000)  | -                          | (227,000)          |
| New provisions      | 189,000  | -                          | 189,000            |
| At 31 December 2020 | <u>257,000</u>                                     | <u>95,200</u>              | <u>352,200</u>     |

Provision for regulatory matters and claims is for events that remained open at year end and is expected to reverse within one year.

The provision for dilapidations in respect of leasehold properties and is expected to reverse within 1 year.

## 19 Reconciliation of movements in reserves

|                        | <b>General<br/>Fund<br/>£</b> | <b>Reserve<br/>Fund<br/>£</b> | <b>Total<br/>£</b> |
|------------------------|-------------------------------|-------------------------------|--------------------|
| At 1 January 2020      | 3,587,514                     | 45,000                        | 3,632,514          |
| (Deficit) for the year | (1,177,001)                   | -                             | (1,177,001)        |
| At 31 December 2020    | <u>2,410,513</u>              | <u>45,000</u>                 | <u>2,455,513</u>   |

The General Fund represents accumulated annual surpluses and deficits, net of amounts set aside for the Reserve Fund.

The Reserve Fund represents an amount set aside for designated activities determined by FFRC.

## 20 Capital commitments

There are no contracted capital commitments not provided for in the accounts (2019: £nil).



## 21 Lease commitments

As at 31 December 2020, the party had annual commitments under non-cancellable contracts as follows:

|                                | <b>2020</b><br>£            | 2019<br>£             | <b>2020</b><br>£     | 2019<br>£            |
|--------------------------------|-----------------------------|-----------------------|----------------------|----------------------|
|                                | <b>Land &amp; Buildings</b> | Land & Buildings      | <b>Other</b>         | Other                |
| Operating leases which expire: |                             |                       |                      |                      |
| Within 1 year                  | 218,025                     | 436,050               | 5,280                | 5,280                |
| Within 2 to 5 years            | -                           | 218,025               | 5,280                | 10,560               |
| After 5 years                  | -                           | -                     | -                    | -                    |
|                                | <u>218,025</u>              | <u>654,075</u>        | <u>15,840</u>        | <u>15,840</u>        |
|                                | <u><u>218,025</u></u>       | <u><u>654,075</u></u> | <u><u>15,840</u></u> | <u><u>15,840</u></u> |

## 22 Net cash (outflow)/inflow from operating activities

|   | <b>2020</b><br>£          | 2019<br>£               |
|---|---------------------------|-------------------------|
| General Fund (deficit)/surplus before taxation                        | (1,177,001)               | 4,712,016               |
| Depreciation  | 36,295                    | 38,146                  |
| (Increase) in debtors   | (83,339)                  | (61,924)                |
| (Decrease)/increase in provisions                                     | (168,000)                 | 472,600                 |
| (Decrease)/increase in creditors due within one year                  | (2,068,494)               | 1,834,354               |
| Donation of investments   | (501,617)                 | -                       |
|   | <u>(3,962,156)</u>        | <u>6,995,192</u>        |
| Net cash (outflow)/inflow from operating (deficit)/surplus before tax | (3,962,156)               | 6,995,192               |
| Investment income   | (1,319)                   | (15)                    |
|   | <u>(3,963,475)</u>        | <u>6,995,177</u>        |
|   | <u><u>(3,963,475)</u></u> | <u><u>6,995,177</u></u> |

## 23 Reconciliation of net cash inflow/(outflow) to movement in net funds/(debt)

|  | <b>2020</b><br>£        | 2019<br>£               |
|--|-------------------------|-------------------------|
| (Decrease)/increase in cash & cash equivalents in the year | (4,262,156)             | 7,095,192               |
| Decrease/(increase) in loan                                | 300,000                 | (100,000)               |
| Opening net funds  | 6,262,087               | (733,105)               |
|  | <u>2,299,931</u>        | <u>6,262,087</u>        |
| Closing net funds  | <u><u>2,299,931</u></u> | <u><u>6,262,087</u></u> |

## 24 Analysis of net funds/(debt)

|                          | At<br>1 January<br>2020<br>£ | Cash flow<br>£     | At<br>31 December<br>2020<br>£ |
|--------------------------|------------------------------|--------------------|--------------------------------|
| Cash at bank and in hand | 6,562,087                    | (4,262,156)        | 2,299,931                      |
| Loans                    | (300,000)                    | 300,000            | -                              |
| Overdraft                | -                            | -                  | -                              |
| Net funds                | <u>6,262,087</u>             | <u>(3,962,156)</u> | <u>2,299,931</u>               |

## 25 Pensions

The Party formerly sponsored the Liberal Headquarters 1975 Retirement Fund. As at the year end the scheme was in surplus and had only one deferred member and no active members. In January 2014 the scheme purchased a deferred annuity for the one remaining member and in June 2014 the Party commenced the winding up of the scheme. It is anticipated that the wind up of the scheme will be completed by the end of 2021.

Once the scheme is wound up any remaining surplus will be returned to the Party and treated as a return of the additional contributions made.

### Other post-retirement benefit schemes

The Federal Party contributes to personal pension schemes held in the names of individual employees. The assets of these schemes are held separately from those of the Federal Party in independently administered funds. The pension cost charge represents contributions payable to these funds and amounted to £204,013 (2019: £175,493). At 31 December 2020, contributions amounting to £26,225 (2019: £24,450) were payable to these funds and are included within other creditors in note 15.

## 26 Related entity transactions

The Federal Executive is chaired by the President of the Party to whose office the Federal Party paid grants in the year amounting to £nil (2019: £5,701).

The Federal Party is related to other bodies within the Liberal Democrats as set out in note 1 above. During the year it received membership and subscription fee levies from these bodies amounting to £1,860,684 (2019: £2,315,018) and recharged expenditure totalling £1,111,687 (2019: £1,048,291). Expenditure includes grants to Specified Associated Organisations and other party bodies totalling £676,018 (2019: £630,300).

The amount owed by related entities at 31 December 2020 was £285,151 (2019: £224,056) and the amount owed to related entities was £94,327 (2019: £214,727).

## 26 Related entity transactions (continued)

Significant balances owed to related entities are as follows:

|   |         |
|---|---------|
| Middlesborough & East Cleveland Liberal Democrats | £60,000 |
| North East Region                                 | £20,000 |

## 27 Group commitment

At the year-end, the Federal Party forms part of the Liberal Democrats bank overdraft facility with the Liberal Democrats in England and the Parliamentary Office of the Liberal Democrats. The facility is unused. At the year-end the net cash position under the facility is £3,208,896 (2019: £7,149,945).

## 28 Membership

As at 31 December 2020 there were 98,247 (2019: 126,724) members of the Party.