



The Liberal Democrats in England
Reports and Financial Statements
Year Ended
31 December 2015

The Liberal Democrats in England

Financial Statements for the year ended 31 December 2015

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Party Officers and Registered Officers under PPERA:

Chair:	Steve Jarvis
Registered Treasurer:	David Hughes

Party Headquarters

2nd floor, 8-10 Great George Street, London, SW1P 3AE

Auditor

Mazars LLP



Liberal Democrats in England

Report of the Party Officers for the year ended 31 December 2015

1. *Administrative information*

The Liberal Democrats in England ("the English State Party", "the Party") is part of the federal structure of the Liberal Democrats. It is a federation of the regional parties in England. Each regional party comprises a number of local parties. The Liberal Democrats in England is one of the accounting units of the Liberal Democrats in accordance with the financial scheme established under section 26 of the Political Parties, Elections and Referendums Act 2000. Each regional and local party is also an accounting unit. Each accounting unit prepares its statement of accounts separately, and the accounts of the accounting units are not consolidated.

Committees

The following committees operate within the Party to oversee and manage the Party's business. The terms of reference for each committee is contained within the Party's constitution and standing orders. The Chairs of the respective committees are:

- English Council – Steve Jarvis
- English Council Executive – Steve Jarvis
- English Candidates – Richard Brett
- English Finance and Administration – David Hughes
- Regional Parties – Margaret Joachim

English Council (EC) is the sovereign body of the Liberal Democrats in England. Its functions are laid out in article 6.1 of the constitution and its membership is defined by article 5.1. EC is responsible for the appointment of the Party's auditor.

Similarly the function of the English Council Executive (ECE) is laid out in article 6.2 of the constitution and its membership in article 5.6.

Article 7.3 of the constitution defines the function of the English Candidates Committee and article 7.2 its membership.

The English Finance & Administration Committee (EFAC) is chaired by the Registered Treasurer. Its responsibilities are defined by paragraph 5.4 of the ECE standing orders and its membership by paragraph 5.3. EFAC is responsible for ensuring that there are adequate financial controls and systems in place.

Candidates

The English Candidates Committee supports the processes of approving and selecting Parliamentary candidates in England.

Elected representatives

The Party's elected representatives in England are shown at Annex A.

Liberal Democrats in England

Report of the Party Officers for the year ended 31 December 2015

Staffing

The Party had no permanent members of staff.

2. *Review of political activities*

In 2015 the Party continued its programme of regional development, building membership and campaign capacity across the party in England. At the general election held on 7 May 2015, 6 Liberal Democrat Members of Parliament were elected and the Party is going through a phase of rebuilding its political base. Since polling day, membership has increased substantially.

3. *Financial Review*

The Party had a deficit of £149,110 for the year, resulting in it having net liabilities of £245,363 at the year end.

The deficit for the year was largely the result of the English Party's share (£169,730) of the Membership Incentive Scheme cost. This scheme was introduced in the last quarter of 2013 and proved to be highly successful contributing to a significant increase in membership numbers over the course of the year. The scheme rewards local parties that increase their membership quarter on quarter by paying them a higher proportion of the membership subscriptions received in that quarter. The cost is shared with the Liberal Democrats (The Federal Party) and the relevant regional party.



David Hughes
Registered Treasurer

30 June 2016

Liberal Democrats in England

Statement of Registered Treasurer's Responsibilities

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 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.

Liberal Democrats in England Independent Auditor's Report To the English Council of the Liberal Democrats in England

We have audited the financial statements of The Liberal Democrats in England for the year ended 31 December 2015 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and relevant legislation and the Statement of Accounts Guidance Notes issued by the Electoral Commission.

Respective responsibilities of the Registered Treasurer and auditor

As explained more fully in the Statement of Registered Treasurer's Responsibilities set out on page 4, the Registered Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the English Council of The Liberal Democrats in England, 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 English Council of The Liberal Democrats in England 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 English Council of The Liberal Democrats in England as a body, for our audit work, for this report, or for the opinions we have formed.


Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web site at www.frc.org.uk/auditscopeukprivate

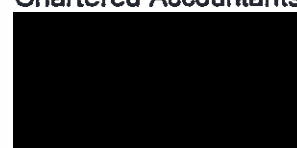
Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of The Liberal Democrats in England as at 31 December 2015 and of its deficit for the year then ended;
- have been properly prepared in accordance with relevant legislation and 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.



William Neale Bussey (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor



30 June 2016

**Liberal Democrats in England
Income and Expenditure Account
For the year ended 31 December 2015**

	Note	Total 2015 £	Total 2014 £
Income			
Membership & subscription fees		1,996,060	1,677,943
Fundraising	5	1,679	41,000
Recharges to Party bodies	6	301	264
Investment income	7	1,159	1,828
Other income		3,000	5,165
		<u>2,002,199</u>	<u>1,726,200</u>
Expenditure			
Federal Party levy		713,395	676,930
Federal Party services		517,559	518,985
Regional rebates		210,105	181,516
Local Party service fees		445,885	213,915
Liberal Youth grant		24,000	17,137
Services to members	8	124,924	68,111
Running costs		85,225	91,785
Grants paid	9	30,000	30,000
		<u>2,151,093</u>	<u>1,798,379</u>
Deficit before taxation	4	(148,894)	(72,179)
Taxation	10	(216)	(365)
Deficit for the year		<u>(149,110)</u>	<u>(72,544)</u>

The Income and Expenditure account has been prepared on the basis that all operations are continuing operations.

There were no recognised gains or losses other than those included in the Income and Expenditure account.

The notes on pages 9 to 14 form part of these financial statements

The Liberal Democrats in England
Balance Sheet as at 31 December 2015

	Note	2015	2015	2014	2014
		£	£	£	£
Current assets					
Debtors	11	10,358		19,027	
Cash at bank and in hand		<u>221,099</u>		<u>209,238</u>	
		231,457		228,265	
Creditors: amounts falling due within one year	12	<u>(476,820)</u>		<u>(324,518)</u>	
Net current liabilities			(245,363)		(96,253)
Net liabilities			<u>(245,363)</u>		<u>(96,253)</u>
Reserves					
General Fund	13		(245,363)		(96,253)
Total funds			<u>(245,363)</u>		<u>(96,253)</u>

These financial statements were approved by the English Finance and Administration Committee on behalf of the English Council Executive on 30 June 2016.



David Hughes
Registered Treasurer

The notes on pages 9 to 14 form part of these financial statements

The Liberal Democrats in England
Cash Flow Statement
For the year ended 31 December 2015

	Note	2015	2014
		£	£
Net cash inflow from operating activities	14	11,072	100,851
Returns on Investment and servicing of finance			
Interest received		1,159	1,828
UK Tax paid		(370)	(26)
Increase in cash	15	<u>11,861</u>	<u>102,653</u>

The notes on pages 9 to 14 form part of these financial statements

The Liberal Democrats in England
Notes forming part of the Financial Statements
For the year ended 31 December 2015

1 Accounting policies

The Liberal Democrats (The Federal Party) is a federation constituted by the Scottish Liberal Democrats, the Welsh Liberal Democrats and the Liberal Democrats in England (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 in England is constituted under section 26 of the Political Parties, Elections and Referendums Act 2000 as an accounting unit of the Liberal Democrats.

These financial statements deal solely with the activities of the Liberal Democrats in England as set out in Article 6 of the Constitution of the Liberal Democrats in England. They do not include the income, expenditure, assets or liabilities of the Federal Party or of Regional, Local Parties or any other bodies.

Basis of preparation

The Liberal Democrats in England 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 the Electoral Commission.

Going concern

The Liberal Democrats in England shares a banking facility with certain other Liberal Democrat entities, and there is a right of set off between bank accounts of those 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 those entities. At the year end, the aggregated net borrowings under the banking facility amounted to £470,112, the aggregated net liabilities of the entities sharing the facilities was £936,761, and the aggregated deficit of those entities for the year was £1,819,954. The bank facility at the year end was £625,000.

Since the year end, the financing position of the entities has improved due to increased membership, the receipt of significant campaign donations, receipt of Short and Cranborne Money, and careful management of costs, such that the entities had returned to a net cash surplus position and were not utilising the bank facilities.

The Registered Treasurer has reviewed the aggregated cash flow projections for the entities to the end of June 2017. The entities rely on the receipt of donation income to fund a significant proportion of their activities. Donation income is inherently unpredictable, and the financial projections have therefore assumed a level of donation income that is conservative compared to historic levels. The projections show that the entities are anticipated to have aggregated net bank borrowings within the current bank facility of £500,000 throughout the projection period. The term of the current banking facility expires at the end of August 2016. A meeting with the bank to discuss ongoing, longer term arrangements has been scheduled for early July.

The Liberal Democrats in England
Notes forming part of the Financial Statements
For the year ended 31 December 2015

1 Accounting policies (continued)

On the basis of these projections the Registered Treasurer is satisfied that Liberal Democrats England will be able to meet its financial obligations as they fall due, and that it is therefore appropriate to prepare the financial statement on a going concern basis.

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:

- Membership and subscription fees are recognised on a receipts basis.
- Interest receivable is recognised in the Income and Expenditure account on an accruals basis.
- Fundraising income is recognised in the Income and Expenditure account on receipt.

Expenditure

The English Party adopted a Membership Incentive Scheme in the final quarter of 2013 whereby local parties that increased their membership received a higher proportion of membership subscriptions. This scheme is funded in conjunction with the Federal and Regional Parties.

Payments of the relevant share of membership subscriptions to regional and local parties, including payments under the Membership Incentive Scheme, are accounted for on an accruals basis.

The Federal Party receives a proportion of membership subscriptions as agreed by Federal Conference at the preceding autumn conference. This is reduced by its contribution towards the cost of the Membership Incentive Scheme.

The Federal Party meets the majority of the overheads incurred by the English State Party. The Federal Party recovers these costs through recharges.

Tax

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

The Liberal Democrats in England
Notes forming part of the Financial Statements
For the year ended 31 December 2015

2 Registered Party Officers

None of the Registered Officers under PPERA or Committee Chairs received any remuneration in that capacity in 2015 (2014 - £nil).

3 Membership

As at 31 December 2015 there were 54,008 (2014- 39,669) members of the Party.

4 Deficit before taxation

	2015 £	2014 £
Deficit before taxation is stated after charging:		
Auditor's remuneration - audit services	6,118	6,000

5 Fundraising activities

	2015 £	2014 £
Appeals income	1,679	41,000

6 Recharges to Party bodies

	2015 £	2014 £
Finance charge to Federal Party	301	264

7 Investment income

	2015 £	2014 £
Interest receivable	1,159	1,828

8 Services to members

Services to members consist of the cost of sending out membership renewal reminders, membership cards and new members' packs. In addition it includes constitutional and compliance support.

The Liberal Democrats in England
Notes forming part of the Financial Statements
For the year ended 31 December 2015

9 Grants paid

The Party makes a contribution towards the cost of the G8 programme of support for local elections, which is managed by the Association of Liberal Democrat Councillors. In addition it has given grants to regional parties and Liberal Youth for developmental work.

10 Taxation

	2015 £	2014 £
Taxation on investment income	216	365

11 Debtors

	2015 £	2014 £
Amounts owed by Liberal Democrat related entities	10,358	19,027

12 Creditors: amounts falling due within one year

	2015 £	2014 £
Amounts owed to Liberal Democrat related entities	457,761	307,590
Accruals and deferred income	18,848	16,563
Corporation tax	211	365
	<u>476,820</u>	<u>324,518</u>

13 General and total funds

	2015 £	2014 £
At 1 January 2015	(96,253)	(23,709)
Deficit for the year	(149,110)	(72,544)
As at 31 December 2015	<u>(245,363)</u>	<u>(96,253)</u>

The Liberal Democrats in England
Notes forming part of the Financial Statements
For the year ended 31 December 2015

14 Net cash inflow from operating activities

	2015	2014
	£	£
Deficit before taxation	(148,894)	(72,179)
decrease/(Increase) in debtors	8,669	(8,267)
Increase in creditors	152,456	183,125
	<u>12,231</u>	<u>102,679</u>
Investment income	(1,159)	(1,828)
Net cash inflow from operating activities	<u>11,072</u>	<u>100,851</u>

15 Reconciliation of net cash inflow to movement in net funds

	2015	2014
	£	£
Increase in cash in the year	<u>11,861</u>	<u>102,653</u>
Movement in net funds	<u>11,861</u>	<u>102,653</u>
Opening net funds	209,238	106,585
Closing net funds	<u>221,099</u>	<u>209,238</u>

16 Analysis of net funds

	At	Cash flow	At
	1 January		31 December
	2015		2015
	£	£	£
Cash	<u>209,238</u>	<u>11,861</u>	<u>221,099</u>

The Liberal Democrats in England
Notes forming part of the Financial Statements
For the year ended 31 December 2015

17 Related entity transactions

The Liberal Democrats in England is related to other bodies within the Liberal Democrats. During the year The Liberal Democrats in England paid a proportion of the membership income received in the form of levies (to the Liberal Democrats (The Federal Party)), rebates (to Regional Parties), service fees (to Local Parties) and a grant (to Liberal Youth) in total amounting to £1,393,385 (2014 – £1,089,498). In addition the Liberal Democrats in England sub-contracted its membership, finance and other headquarter functions to the Liberal Democrats (The Federal Party). The cost of these services in 2015 was £517,559 (2014 - £518,985). Income includes a finance charge for interest foregone as a result of pooling bank balances with other party bodies of £301 (2014 - £264).

As at the year end, an amount of £121,410 was due to the Liberal Democrats (The Federal Party) (2014: £102,665 due from the Liberal Democrats (The Federal Party)). As at the year end, there was also an amount of £336,351 (2014: £204,925) owing to other related entities being mainly service fees and rebates owed to local and regional parties respectively, and £10,358 (2014: £19,027) owed by other related entities.

Elected representatives

Annex A

As of June 2016 the Party had the following elected representatives

**Westminster
Parliament**

Tom Brake
Nick Clegg
Tim Farron
Norman Lamb
Greg Mulholland
John Pugh

European Parliament

Catherine Bearder