



The Liberal Democrats in England
Reports and Financial Statements

Year Ended

31 December 2016

The Liberal Democrats in England
Financial Statements for the year ended 31 December 2016

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Party Officers and Registered Officers under PPERA:

Chair:	Steve Jarvis (to December 2016)
Chair:	Liz Leffman (from January 2017)
Registered Treasurer:	David Hughes

Party Headquarters

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

Auditor

Mazars LLP, [REDACTED]

Liberal Democrats in England

Report of the Party Officers for the year ended 31 December 2016

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 (to December 2016)
- English Council – Liz Leffman (from January 2017)
- English Council Executive – Steve Jarvis (to December 2016)
- English Council Executive – Liz Leffman (from January 2017)
- English Candidates – Richard Brett (to December 2016)
- English Candidates – Prue Bray (from January 2017)
- English Finance & 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.

The Regional Parties Committee (RPC) is chaired by the Vice-Chair. Its responsibilities are defined by paragraph 5.6 of the ECE standing orders and its membership by 5.5. RPC is responsible for spreading regional best practice, compliance with PPERA in regional and local parties and disciplinary matters under the membership rules.

Candidates

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

Liberal Democrats in England

Report of the Party Officers for the year ended 31 December 2016

Elected representatives

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

Staffing

The Party had no permanent members of staff.

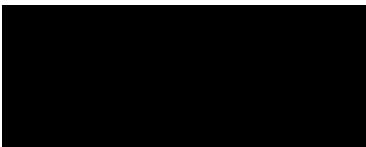
2. *Review of political activities*

In 2016, the Party continued its programme of regional development, building membership and campaign capacity across the party in England. Major campaign activities included the EU referendum and the Richmond Park by-election, following which the parliamentary party in England increased to 7 Members of Parliament. Membership figures continued to grow strongly throughout the year.

3. *Financial review*

The Party had a deficit of £19,035 for the year, resulting in it having net liabilities of £264,398 at the year end.

The moderate deficit reported in the year was largely due to increase in Service Fees and Membership Incentive Scheme payment to local parties as a result of growth in membership. 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

29 June 2017

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 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.

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 2016 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to The Liberal Democrats in England circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Registered Treasurer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report of the Party Officers to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

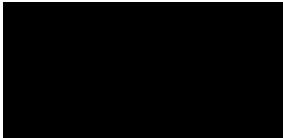
Opinion on the financial statements

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 2016 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 2017

Liberal Democrats in England
Income and Expenditure Account
For the year ended 31 December 2016

	Note	Total 2016 £	Total 2015 £
Income			
Membership & subscription fees		2,384,795	1,996,060
Fundraising	5	-	1,679
Recharges to Party bodies	6	725	301
Investment income	7	-	1,159
Other income		6,751	3,000
		<u>2,392,271</u>	<u>2,002,199</u>
Expenditure			
Federal Party levy		876,518	713,395
Federal Party services		517,179	517,559
Regional rebates		247,999	210,105
Local Party service fees		497,424	445,885
Liberal Youth grant		24,000	24,000
Services to members	8	128,376	124,924
Running costs		89,786	85,225
Grants paid	9	30,000	30,000
		<u>2,411,282</u>	<u>2,151,093</u>
Deficit before taxation	4	(19,011)	(148,894)
Taxation	10	(24)	(216)
Deficit for the year		<u>(19,035)</u>	<u>(149,110)</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 10 to 14 form part of these financial statements

The Liberal Democrats in England
Balance Sheet as at 31 December 2016

	Note	2016 £	2016 £	2015 £	2015 £
Current assets					
Debtors	11	30,958		10,358	
Cash at bank and in hand		<u>258,606</u>		<u>221,099</u>	
		289,564		231,457	
Creditors: amounts falling due within one year	12	<u>(553,962)</u>		<u>(476,820)</u>	
Net current liabilities			(553,962)		(245,363)
Net liabilities			<u>(264,398)</u>		<u>(245,363)</u>
Reserves					
General Fund	13		(264,398)		(245,363)
Total funds			<u>(264,398)</u>		<u>(245,363)</u>

These financial statements were approved by the English Finance & Administration Committee on behalf of the English Council Executive on 29 June 2017.

David Hughes
Registered Treasurer

The notes on pages 10 to 14 form part of these financial statements

The Liberal Democrats in England
Cash Flow Statement
For the year ended 31 December 2016

	Note	2016 £	2015 £
Net cash inflow from operating activities	14	37,742	11,072
Returns on Investment and servicing of finance			
Interest received		-	1,159
UK Tax paid		(235)	(370)
Increase in cash	15	<u>37,507</u>	<u>11,861</u>

The notes on pages 10 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 2016

1 Accounting policies

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.

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 has repeated a deficit for the year and has net liabilities at the year-end. It is therefore dependent on funding from other Liberal Democrat Entities. The Registered Treasurer has received confirmation that the Liberal Democrats (the Federal Party) and the Parliamentary Office of the Liberal Democrats will provide this funding.

The Party 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.

The Liberal Democrat entities rely on the receipt of donation income to meet a significant proportion of their expenditure, and an overdraft facility with their banker to meet working capital requirements. Donation income is inherently unpredictable, but the Registered Treasurer is confident that sufficient donations will be received and facilities will continue to be available to allow the Party to meet its financial obligations.

The Liberal Democrats in England
Notes forming part of the Financial Statements
For the year ended 31 December 2016

1 Accounting policies (continued)

The Registered Treasurer has reviewed the aggregated cash flow projections for the entitlements to the end of June 2018. 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 2016

2 Registered Party Officers

None of the Registered Officers under PPERA or Committee Chairs received any remuneration in that capacity in 2016 (2015 - £nil).

3 Membership

As at 31 December 2016 there were 70,648 (2015- 54,008) members of the Party.

4 Deficit before taxation

	2016 £	2015 £
Deficit before taxation is stated after charging:		
Auditor's remuneration - audit services	8,500	6,118
	<u>8,500</u>	<u>6,118</u>

5 Fundraising activities

	2016 £	2015 £
Appeals income	-	1,679
	<u>-</u>	<u>1,679</u>

6 Recharges to Party bodies

	2016 £	2015 £
Finance charge to Federal Party	725	301
	<u>725</u>	<u>301</u>

7 Investment income

	2016 £	2015 £
Interest receivable	-	1,159
	<u>-</u>	<u>1,159</u>

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 2016

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

	2016 £	2015 £
Taxation on investment income	24	216

11 Debtors

	2016 £	2015 £
Amounts owed by Liberal Democrat related entities	30,958	10,358

12 Creditors: amounts falling due within one year

	2016 £	2015 £
Amounts owed to Liberal Democrat related entities	533,144	457,761
Creditors	3,236	-
Accruals and deferred income	17,582	18,848
Corporation tax	-	211
	<u>553,962</u>	<u>476,820</u>

13 General and total funds

	2016 £	2015 £
At 1 January 2016	(245,363)	(96,253)
Deficit for the year	(19,035)	(149,110)
As at 31 December 2016	<u>(264,398)</u>	<u>(245,363)</u>

The Liberal Democrats in England
Notes forming part of the Financial Statements
For the year ended 31 December 2016

14 Net cash inflow from operating activities

	2016 £	2015 £
Deficit before taxation	(19,011)	(148,894)
(Increase)/decrease in debtors	(20,600)	8,669
Increase/(decrease) in creditors	77,353	152,456
	<u>37,742</u>	<u>12,231</u>
Investment income	-	(1,159)
Net cash inflow from operating activities	<u>37,742</u>	<u>11,072</u>

15 Reconciliation of net cash inflow to movement in net funds

	2016 £	2015 £
Increase in cash in the year	<u>37,507</u>	<u>11,861</u>
Movement in net funds	<u>37,507</u>	<u>11,861</u>
Opening net funds	221,099	209,238
Closing net funds	<u>258,606</u>	<u>221,099</u>

16 Analysis of net funds

	At 1 January 2016 £	Cash flow £	At 31 December 2016 £
Cash	<u>221,099</u>	<u>37,507</u>	<u>258,606</u>

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 £1,645,940 (2015 – £1,393,385). 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 2016 was £517,179 (2015 – £517,559).

The Liberal Democrats in England
Notes forming part of the Financial Statements
For the year ended 31 December 2016

Income includes a finance charge for interest foregone as a result of pooling bank balances with other party bodies of £725 (2015 - £301).

As at the year end, the Liberal Democrats (The Federal Party) owed £25,498 to the English Party (2015: £121,410 due to the Liberal Democrats (The Federal Party)). As at the year end, there was also an amount of £533,144 (2015: £336,351) owing to other related entities being mainly service fees and rebates owed to local and regional parties respectively, and £5,459 (2015: £10,358) owed by other related entities.

18 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. At the year-end the net surplus position is £843,093 (2015: £470,841 deficit)

Elected representatives

Annex A

As of June 2017 the Party had the following elected representatives

Westminster Parliament

Tom Brake Tim Farron Norman Lamb Layla Moran Wera Hobhouse Sir Vince Cable Sir Ed Davey Stephen Lloyd
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European Parliament

Catherine Bearder
