



Parliamentary Office of the Liberal
Democrats

Annual Report

Year Ended

31 December 2018

Parliamentary Office of the Liberal Democrats
Financial Statements for the year ended 31 December 2018

Contents

Page:

1	Party Officers
2	Report of the Party Officers
3	Statement of Registered Treasurer's Responsibilities
4	Independent Auditor's Report
7	Income and Expenditure Account
8	Balance Sheet
9	Cash Flow Statement
10	Notes forming part of the financial statements

Party Officers

Registered Officers under PPERA:

Leader:	Vincent Cable MP
Registered Chairman:	Rt Hon Alistair Carmichael MP
Registered Treasurer:	Lord Robin Teverson

Party Headquarters

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

Auditor

Mazars LLP, 

Parliamentary Office of the Liberal Democrats

Report of the Party Officers for the year ended 31 December 2018

1. Administrative information

The Parliamentary Office of the Liberal Democrats ("POLD") 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.

Committees

The POLD committee, the terms of reference and composition of which are contained in the parliamentary party's standing orders, manages the Parliamentary Office of the Liberal Democrats. The Chairman of the POLD committee is Rt Hon Alistair Carmichael.

In addition to making the strategic decisions necessary for the running of the Parliamentary Office, the committee is also responsible for the appointment of the auditor and ensuring that there are adequate financial controls and systems in place.

Staffing

The key permanent members of staff are:


Finance Manager – Tope Famaks
Head of the Whips Office (Commons) – Jack Fletcher
Head of the Whips Office (Lords) – Humphrey Amos

2. Review of political activities

During 2018, the Liberal Democrats in Parliament have been holding the Government to account over the process for exiting the European Union, in addition to the remaining legislative programme. The Conservative-DUP supply and demand agreement has allowed the Government to pass critical but limited legislation, however, it has also resulted in large scale uncertainty and resulted in a complex House of Commons landscape. It is in this fraught and uncertain environment that the Liberal Democrats have been working to navigate a path to securing a referendum on the deal. As is usual, following a general election and leadership change, we have also had a large staff turnover.

3. Financial Review

POLD ended the year with a surplus of £85,692, thereby increasing the net assets to £219,208. The surplus arose as a result of tightening on expenditure to mitigate against shortfall in donations during the year and slight increase on Short Money. The net assets will provide cover over the timing of MPs' invoices and future restructuring.



Lord Robin Teverson
Registered Treasurer
26 June 2019

Parliamentary Office of the Liberal Democrats

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.

Independent Auditor's Report to The Parliamentary Office of the Liberal Democrats Committee

Opinion

We have audited the financial statements of The Parliamentary Office of the Liberal Democrats ('The Party') for the year ended 31 December 2018 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 Party's affairs as at 31 December 2018 and of its surplus 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 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.

The impact of uncertainties due to the United Kingdom exiting the European Union on our audit

The Registered Treasurer's view on the impact of Brexit on the Party is disclosed on page 2.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Party's trade, customers, suppliers and the wider economy. We considered the impact of Brexit on The Party as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Party's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for The Party and this is particularly the case in relation to Brexit.

Independent Auditor's Report to The Parliamentary Office of the Liberal Democrats Committee

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Registered Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Registered Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about The Party's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 we do not express any form of assurance conclusion thereon.

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 3, 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 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 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

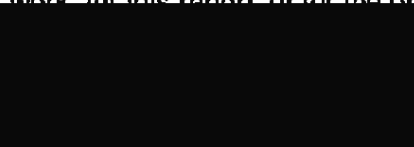
Independent Auditor's Report to The Parliamentary Office of the Liberal Democrats Committee

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.

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. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the Parliamentary Office of the Liberal Democrats Committee 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 Parliamentary Office of the Liberal Democrats Committee 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 Parliamentary Office of the Liberal Democrats Committee as a body for our audit work for this report or for the opinions we have formed.

 (Statutory Auditor)

Chartered Accountants and Statutory Auditor



Date 28 JUNE 2019

Parliamentary Office of the Liberal Democrats
Income and Expenditure Account
For the year ended 31 December 2018

	Note	Total 2018 £	Total 2017 £
Income			
Grants	2	936,406	830,894
Donations		121,653	26,000
Costs recharged to party bodies		10,530	10,442
Charges for services	3	178,004	160,625
Notional income		1,604	814
Other income		1,097	3,133
		<u>1,249,294</u>	<u>1,031,908</u>
Expenditure			
Staff costs	4	924,401	873,838
Administration costs		54,428	53,615
Recharges from party bodies		183,039	179,450
Bank charges		130	116
Notional expenditure		1,604	814
		<u>1,163,602</u>	<u>1,107,833</u>
Surplus/(deficit) before taxation		85,692	(75,925)
Taxation		-	-
Surplus/(deficit) for the year		<u>85,692</u>	<u>(75,925)</u>

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

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

The notes on pages 10 to 15 form part of these financial statements

Parliamentary Office of the Liberal Democrats
Balance Sheet as at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Current assets					
Cash at bank and in hand		275,195		188,261	
Creditors: amounts falling due within one year	7	(55,987)		(54,745)	
		<u> </u>		<u> </u>	
Net assets			219,208		133,516
			<u> </u>		<u> </u>
Reserves					
General Fund	8		219,208		133,516
Total funds			<u>219,208</u>		<u>133,516</u>

The financial statements were approved by the POLD Committee on 26 June 2019.



Lord Robin Teverson
Registered Treasurer

Parliamentary Office of the Liberal Democrats
Cash Flow Statement
For the year ended 31 December 2018

	Note	2018	2017
		£	£
Net cash inflow/ (outflow)			
from operating activities	9	86,934	(47,590)
UK Tax paid		-	-
Increase/(decrease) in cash	10	<u>86,934</u>	<u>(47,590)</u>

The notes on pages 10 to 15 form part of these financial statements

Parliamentary Office of the Liberal Democrats
Notes forming part of the Financial Statements
For the year ended 31 December 2018

1 Accounting policies

The Parliamentary Office of the Liberal Democrats ("POLD") 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 Parliamentary Office of the Liberal Democrats ("POLD"). They do not include the income, expenditure, assets or liabilities of the Federal, State, Regional, Local Parties, or any other bodies.

Basis of preparation

The Parliamentary Office of the Liberal Democrats is not incorporated in law and is thus not bound by the Companies Act 2006. POLD 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

POLD 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.

The Registered Treasurer has reviewed the aggregated cash flow projections for the entities to the end of June 2020. In his opinion these indicate that the entities are expected to be able to operate within the currently available bank facility throughout that period.

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 in 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.

1 Accounting policies (continued)

The entities have a £500,000 overdraft facility to manage working capital during seasonal fluctuations in cash flows.

Should the level of projected donations and other income not be achieved, then the Registered Treasurers of the entities would take action to reduce the cost base across the entities in order to operate within the available facility.

Therefore, on the basis of the cashflow projections, the Registered Treasurer has a reasonable expectation that POLD will be able to meet its financial obligations as they fall due for at least 12 months from the date of approval of these financial statements, and has concluded that the going concern basis of preparation is therefore appropriate.

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.
- Interest receivable is recognised in the Income and Expenditure account on an accruals basis.
- Contributions to Whips Office costs are, due to their nature, recognised on a receipts basis.
- Subscriptions to the Parliamentary Support Team are recognised on an accruals basis.
- Grant income is recognised in the Income and Expenditure account on accruals basis. Income is matched against expenses as they are incurred.
- Subscriptions to the Parliamentary Advice Unit are recognised on an accruals basis.
- Contributions to Lords Office costs are, due to their nature, recognised on a receipts basis.

Pension costs

Contributions to employees' personal pension plans are charged to the Income and Expenditure account in the year in which they become payable.

Parliamentary Office of the Liberal Democrats
Notes forming part of the Financial Statements
For the year ended 31 December 2018

1 Accounting policies (continued)

Recharged expenditure

The Liberal Democrats (The Federal Party) meets some of the overheads incurred by POLD. These costs are reimbursed through recharges.

Tax

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

2 Grants

	2018 £	2017 £
Grants breakdown:		
Short Money	626,696	526,460
Cranborne Money	309,710	304,434
	<u>936,406</u>	<u>830,894</u>

Short Money and Cranborne Money are grants given to provide Opposition Parties with funding needed to scrutinise government.

3 Charges for services

	2018 £	2017 £
Contributions to Lords Office costs	115,004	103,058
Subscriptions to Parliamentary Support Team	63,000	57,567
	<u>178,004</u>	<u>160,625</u>

4 Employees

	2018 £	2017 £
Staff costs consist of:		
Wages and salaries	755,560	711,289
Social security costs	79,677	73,939
Other pension costs (see note 12)	58,272	52,310
Other staff related costs	30,892	36,300
	<u>924,401</u>	<u>873,838</u>

The notes on pages 10 to 15 form part of these financial statements

Parliamentary Office of the Liberal Democrats
Notes forming part of the Financial Statements
For the year ended 31 December 2018

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

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

2018 Number	2017 Number
22	22
<u>22</u>	<u>22</u>

5 Registered Party Officers

None of the Registered Officers under PPERA or Committee Chairs received any remuneration in that capacity in 2018 (2017 - £nil).

6 Surplus before taxation

	2018 £	2017 £
Surplus before taxation is stated after charging:		
Auditors' remuneration - audit services	8,635	6,259
Auditors' remuneration - other regulatory reporting	12,120	12,500
	<u>20,755</u>	<u>18,759</u>

7 Creditors: amounts falling due within one year

	2018 £	2017 £
Amounts owed to Liberal Democrat related entities	3,633	498
Other creditors	4,083	-
Accruals and deferred income	48,271	54,247
	<u>55,987</u>	<u>54,745</u>

8 General and total funds

	2018 £	2017 £
At 1 January 2018	133,516	209,441
Surplus for the year	85,692	(75,925)
As at 31 December 2018	<u>219,208</u>	<u>133,516</u>

The notes on pages 10 to 15 form part of these financial statements

Parliamentary Office of the Liberal Democrats
Notes forming part of the Financial Statements
For the year ended 31 December 2018

9 Net cash inflow/(outflow) from operating activities

	2018	2017
	£	£
Surplus before taxation	85,692	(75,925)
Decrease in debtors	-	26,403
Increase in creditors	1,242	1,932
Net cash inflow/(outflow) from operating activities	<u>86,934</u>	<u>(47,590)</u>

10 Reconciliation of net cash inflow/(outflow) to movement in net funds

	2018	2017
	£	£
Increase/(decrease) in cash in the year	<u>86,934</u>	<u>(47,590)</u>
Change in net funds resulting from cash flows	86,934	(47,590)
Opening net funds	188,261	235,851
Closing net funds	<u>275,195</u>	<u>188,261</u>

11 Analysis of net funds

	At 1 January 2018 £	Cash flow £	At 31 December 2018 £
Cash	<u>188,261</u>	<u>86,934</u>	<u>275,195</u>

12 Pension contributions

The Parliamentary Office of the Liberal Democrats contributes to personal pension schemes held in the names of individual employees. The assets of these schemes are held separately from those of POLD in independently administered funds. The pension cost charge represents contributions payable to these funds in the year and amounted to £58,272 (2017: £52,310). At 31 December 2018, contributions amounting to £nil (2017: £nil) were outstanding.

13 Related entity transactions

The Parliamentary Office of the Liberal Democrats is related to other bodies within The Liberal Democrats. During the year POLD incurred costs that were paid and recharged by The Liberal Democrats (The Federal Party) totalling £183,039 (2017: £179,450). POLD received income from the Liberal Democrats (The Federal Party) totalling £10,530 (2017: £10,442).

At 31 December 2018, POLD owed Liberal Democrats (The Federal Party) £3,633 (2017: £498).

14 Group commitment

At the year-end, POLD forms part of the Liberal Democrats bank overdraft facility with the Liberal Democrats in England and The Liberal Democrats (The Federal Party). At the year-end the net overdraft position under the facility is £20,780 (2017: £52,343 overdraft).