



# The Liberal Democrats (The Federal Party)

## Annual Report

### Year Ended

31 December 2018

*"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 2018**

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**Party Officers**

**Registered Officers under PPERA**

Leader:	Sir Vince Cable MP
Registered Treasurer:	Peter Dunphy (to July 2018)
Registered Treasurer:	Tony Harris (from July 2018)
Nominating officer:	Sarah Morris
Campaigns officer:	Sir Nick Harvey

**Office Holders:**

Deputy campaigns officer:	Adam Stachura (to February 2018)
Deputy campaigns officer:	Paul Moat (from February 2018)
English Party Chair:	Liz Leffman (to January 2019)
English Party Chair:	Tahir Maher (from January 2019)
Convenor of the Scottish Party:	Sheila Ritchie (from January 2018)
Chair of the Welsh National Executive Committee:	Carole O'Toole (to April 2018)
Chair of the Welsh National Executive Committee:	Cadan ap Iwan (from April 2018)
Treasurer:	Lord Mike German
Chief Executive:	Sir Nick Harvey
Party President:	Baroness Sai Brinton

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, [REDACTED]

# **The Liberal Democrats (The Federal Party)**

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

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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 416 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 – Baroness Sal Brinton
- Federal Policy – Sir Vince Cable MP
- Federal Conference – Andrew Wisoman (to June 2018)
- Federal Conference – Geoff Payne (from June 2018)
- Federal Finance & Resources – Peter Dunphy (to July 2018)
- Federal Finance & Resources – Anthony Harris (from July 2018)
- Federal Communications & Elections – James Gurling
- Federal People Development – Miranda Roberts
- Federal International Relations – Robert Woodthorpe-Browne
- Federal Audit & Scrutiny Committee – Helena Cole

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 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 Liberal Democrats (The Federal Party)**

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

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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:

Helena Cole (Chair)  
Rosalyn Gordon  
Roderick Lynch  
Jonathan Davies  
Simon Shaw  
Farid Ahmed  
Baroness Sal Brinton\*  
Sir Vince Cable MP\*  
Lord Mike German\*  
Anthony Harris\*

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

### **Elected representatives**

The Party has 11 elected members of the Westminster Parliament and 1 member of the European Parliament. In addition there are 95 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 2018 there were approximately 1,886 Liberal Democrat Councillors. There are also two directly elected Liberal Democrat Mayors.

# **The Liberal Democrats (The Federal Party)**

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

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### **Staffing**

The principal permanent members of staff are:

Chief Executive – Sir Nick Harvey  
Director of Elections & Campaigns – Shaun Roberts  
Director of Operations – Lucy Hope (to Dec 2018)  
Deputy Director of Operations – Sian Waddington (from Oct 2018)  
Director of Communications – Sam Barratt  
Deputy Chief Executive & Director of Fundraiser – Emma Cherniavsky  
Director of People – Rachel Palma Randle (from Feb 2018)  
Fern McLurg – Financial Controller (from May 2019)

### **Accounting units**

The Party has 416 accounting units registered with the Electoral Commission.

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

Politics in 2018 was dominated by Parliamentary, public and media discourse over Brexit. Indeed, the Government seems to have been almost incapable of attending to anything else. The Liberal Democrats campaigned consistently throughout the year for an 'Exit from Brexit' – to be achieved through putting the proposed terms of Brexit (when finally settled) to the public in a 'People's Vote'.

Whilst originally a lone voice on this, the strength and perseverance of our campaign saw a major shift in public opinion. Public support for a 'final say' in another referendum grew from below 20% to well over 50%, with support for remaining in the EU also consistently running about 10% ahead of those still wishing to leave. By contrast, enormous majorities believe the Government has mishandled the entire Brexit issue. We were well supported by our regular donors in funding this campaign, the biggest we have ever run outside of an election.

The major electoral test of the year was the general annual round of local elections at the start of May. London and the metropolitan areas dominated, along with a cross-section of districts and unitary councils which were also polling. Liberal Democrat performances exceeded even our own expectations, with our net gains of 76 seats and control of five councils topping the tables for gains, while constituting our best performance in local elections for 15 years.

Our four-day autumn Conference in Brighton was well attended, as was the spring weekend conference at Southport. The economics of both events was challenged, however, by diminished participation of commercial visitors and sponsors, and the large net cost of the two events makes the days when they were money-earners seem a long time ago.

We have launched a supporter scheme, aiming to open the party up to a wider network of voters, helpers and participants than our roughly 95,000 members. The aim is to draw new friends into an ongoing dialogue with us, widening our appeal and support base, and building critical mass for our future campaigns and fundraising.

# The Liberal Democrats (The Federal Party)

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

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### Policy development

The party continued to develop new policies throughout 2018 with working groups looking at a range of issues. These included policies on education, and rural communities, both debated at spring conference in 2018; and a 21<sup>st</sup> century economy,

Britain in the world, immigration and identity, and people and communities, all debated at the autumn conference. Preparatory work also commenced for 2019 debates on race equality, climate change, crime and policing, health and care, and 'a fairer share for all'.

### 3. *Financial review*

As expected, and as previously forecast in 2017, the Federal Party entered 2018 in deficit. Also as expected, the lack of any major political events during 2018 (general elections or referenda) caused major donor income to decline and this decline contributed to an increase in the deficit for the year under review. The lack of political events also meant that membership numbers flattened out in the Autumn of 2018 when compared to a forecast growth in membership which had been used to develop and underpin the 2018 Federal Party budget. This, and a software problem associated with the collection of membership subscriptions (only discovered late in the year), significantly impacted 2018 income and led to some restructuring initiatives which were necessary to balance the 2018 budget.

These initiatives have had the desired financial effect and, in conjunction with other financial controls, an increase in donor income, an improvement in the legacy position, and cost saving measures implemented in 2018, will allow the Federal Party to begin to reduce the deficit and net liabilities over the next few years.

The Federal Party ended the year with a deficit of £334,909 which increased our net liabilities at the year end to £1,079,502.



Anthony Harris  
Registered Treasurer  
28 June 2019

## **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 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 Federal Party's affairs as at 31 December 2018 and of its 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.

## 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 Federal Party is disclosed on page 4.

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 Federal Party's trade, customers, suppliers and the wider economy. We considered the impact of Brexit on The Federal Party as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Federal Party's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for The Federal Party, and this is particularly the case in relation to Brexit.



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

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## **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 Federal 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, except to the extent otherwise explicitly stated in our report, 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 6, 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,

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

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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.


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



The Liberal Democrats (The Federal Party)  
Income and Expenditure Account  
For the year ended 31 December 2018

**General Fund**

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
<b>Income</b>			
Donations		<b>2,624,986</b>	6,135,605
Membership and subscription fees		<b>1,312,671</b>	1,278,819
Conference income	2	<b>467,336</b>	545,871
Notional income	3	<b>54,301</b>	138,649
Grants	4	<b>542,277</b>	432,568
Interest receivable		<b>11</b>	34
Recharges to party bodies	5	<b>1,052,793</b>	991,655
Other income	6	<b>148,224</b>	187,106
		<b><u>6,202,599</u></b>	<b><u>9,710,307</u></b>
<b>Expenditure</b>			
Fundraising expenditure		<b>76,172</b>	65,367
Conference expenditure - direct	2	<b>394,506</b>	370,543
Notional expenditure	3	<b>54,301</b>	138,649
Depreciation and amortisation	7	<b>48,513</b>	64,849
Campaign expenditure		<b>694,057</b>	4,913,718
Staff costs	8	<b>3,172,248</b>	2,933,177
Premises & office costs		<b>1,041,610</b>	931,290
IT & polling costs		<b>534,156</b>	305,079
Interest payable and similar charges	10	<b>62,984</b>	115,422
Grants to party bodies	11	<b>314,860</b>	343,449
Expenditure recharged from other party bodies		<b>61,567</b>	150,709
Audit fees	7	<b>16,750</b>	35,595
Other expenditure		<b>65,777</b>	86,575
		<b><u>6,537,501</u></b>	<b><u>10,454,422</u></b>
<b>General Fund (deficit) before taxation</b>	<b>7</b>	<b>(334,902)</b>	(744,115)
Taxation	12	<b>(7)</b>	(49)
<b>General Fund (deficit) for the year</b>		<b><u>(334,909)</u></b>	<b><u>(744,164)</u></b>

The notes on pages 14 to 26 form part of the financial statements

The Liberal Democrats (The Federal Party)  
Income and Expenditure Account  
For the year ended 31 December 2018

**Legacy Fund**

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
<b>Income</b>			
Legacies		-	112,542
		-	112,542
<b>Expenditure</b>			
Grants to party bodies		-	19,516
Staff costs	8	-	43,333
Fundraising expenditure		-	6,811
Interest payable and similar charges		-	-
		-	69,660
<b>Legacy Fund before taxation</b>		-	42,882
Taxation		-	-
<b>Legacy Fund for the year</b>		-	42,882
<b>Overall (deficit) for the year</b>		-	(701,283)

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.

Following a decision by the Federal Board to combine the Legacy Fund with the General Fund, the balance on the fund was transferred to the General Fund on 1 January 2018.

The Liberal Democrats (The Federal Party)  
Balance Sheet as at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
<b>Fixed assets</b>					
Tangible assets	13		99,010		147,523
<b>Current assets</b>					
Debtors	14	406,944		261,519	
Cash at bank and in hand		<u>36,667</u>		<u>33,514</u>	
		443,611		295,033	
<b>Creditors: amounts falling due within one year</b>	15	<u>(1,374,523)</u>		<u>(1,087,149)</u>	
<b>Net current liabilities</b>			<u>(930,912)</u>		<u>(792,116)</u>
<b>Total assets less current liabilities</b>			(831,902)		(644,593)
<b>Creditors: amounts falling due after more than one year</b>					
Other loans	16		(200,000)		(100,000)
Provision	17		(47,600)		-
<b>Net liabilities</b>			<u>(1,079,502)</u>		<u>(744,593)</u>
<b>Reserves</b>					
General Fund	18		(1,124,502)		(1,159,147)
Reserve Fund	18		45,000		45,000
Legacy Fund	18		-		369,554
<b>Total deficit</b>			<u>(1,079,502)</u>		<u>(744,593)</u>

The financial statements were approved by the Federal Finance & Resources Committee on 28 June 2019.



Anthony Harris  
Registered Treasurer

The Liberal Democrats (The Federal Party)  
Cash Flow Statement  
For the year ended 31 December 2018

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	Note	2018 £	2017 £
<b>Net cash (outflow) from operating activities</b>	21	<b>(179,862)</b>	<b>(852,778)</b>
<b>Returns on investment and servicing of finance</b>			
Interest received		11	34
<b>UK Tax paid</b>		<b>(7)</b>	<b>(71)</b>
<b>Cash from financing activities:</b>			
External loan received		100,000	-
<b>(Decrease) in cash &amp; cash equivalents</b>	22	<b><u>(79,858)</u></b>	<b><u>(852,815)</u></b>

**The Liberal Democrats (The Federal Party)**  
**Notes forming part of the Financial Statements**  
**For the year ended 31 December 2018**

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**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 416 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.

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.

**The Liberal Democrats (The Federal Party)**  
**Notes forming part of the Financial Statements**  
**For the year ended 31 December 2018**

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**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 Liberal Democrats (The Federal Party) 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, unless they relate to a specific project. 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 the 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 now 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.



The Liberal Democrats (The Federal Party)  
Notes forming part of the Financial Statements  
For the year ended 31 December 2018

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## 1 Accounting policies (continued)

### 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

### 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.

### 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 2019.

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.

The Liberal Democrats (The Federal Party)  
Notes forming part of the Financial Statements  
For the year ended 31 December 2018

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**2 Deficit on conferences**

	<b>2018 £</b>	<b>2017 £</b>
Income	467,336	545,871
Expenditure		
Direct costs	394,506	370,543
Premises & office costs	19,032	22,223
Staff costs	143,019	181,168
	<hr/>	<hr/>
Total expenditure	556,557	573,934
Deficit for the year	<hr/> (89,221) <hr/>	<hr/> (28,063) <hr/>

**3 Notional income and expenditure**

	<b>2018 £</b>	<b>2017 £</b>
Market value of services donated	54,301	138,649
	<hr/>	<hr/>

**4 Grants received**

	<b>2018 £</b>	<b>2017 £</b>
Joseph Rowntree Reform Trust grant	76,680	-
Policy development grant	465,597	432,568
	<hr/> 542,277 <hr/>	<hr/> 432,568 <hr/>

**5 Recharges to party bodies**

	<b>2018 £</b>	<b>2017 £</b>
Fixed cross charge to State Parties	745,245	691,801
Variable cross charge to State Parties	40,163	136,145
Charges to other party bodies	267,385	163,709
	<hr/> 1,052,793 <hr/>	<hr/> 991,655 <hr/>

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The fixed cross charge represents agreed recharges between the Federal Party and State Parties to cover services provided by the Federal Party. The variable cross charge represents specific invoices paid by Federal Party on behalf of State Parties.

**6 Other income**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Westminster Foundation for Democracy management fee	37,297	42,978
Events income	3,599	4,000
Newspaper income	21,616	29,184
Affinity Income	6,449	42,859
Miscellaneous income	79,263	68,085
	<u>148,224</u>	<u>187,106</u>

**7 Surplus before taxation**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
The surplus before taxation is stated after charging:		
Auditors' remuneration - audit of financial statements	16,750	16,762
- other regulatory reporting	-	18,833
Operating lease charge - property	436,050	432,874
- equipment	5,280	9,414
Depreciation	48,513	64,849
	<u>506,603</u>	<u>532,732</u>

**8 Employees**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Staff costs consist of:		
Wages and salaries	2,443,079	2,312,708
Social security costs	232,719	239,728
Other pension costs	190,619	189,178
Other staff related costs	305,831	232,896
	<u>3,172,248</u>	<u>2,976,510</u>
Charged to:		
General Fund	3,172,248	2,933,177
Legacy Fund	-	43,333
	<u>-</u>	<u>2,976,510</u>

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

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

<b>2018</b>	<b>2017</b>
<b>Number</b>	<b>Number</b>
71	68
<u>          </u>	<u>          </u>

## **9 Registered Party Officers**

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

## **10 Interest payable and similar charges**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Bank charges	59,938	106,656
Interest payable	3,046	8,766
	<u>62,984</u>	<u>115,422</u>

## **11 Grants to party bodies**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Grants to Specified Associated Organisations	43,603	73,343
Grants to other party bodies	271,257	270,106
	<u>314,860</u>	<u>343,449</u>

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12 Taxation on surplus from ordinary activities

	2018 £	2017 £
Taxation on investment income	7	49
	<u>7</u>	<u>49</u>

13 Tangible assets

	Computer software £	Fixtures & fittings £	Total £
<i>Cost</i>			
At 1 January 2018	323,415	362,922	686,337
Additions	-	-	-
At 31 December 2018	<u>323,415</u>	<u>362,922</u>	<u>686,337</u>
<i>Depreciation</i>			
At 1 January 2018	309,346	229,468	538,814
Charge for the year	12,218	36,295	48,513
At 31 December 2018	<u>321,564</u>	<u>265,763</u>	<u>587,327</u>
<i>Net book value</i>			
At 31 December 2018	<u>1,851</u>	<u>97,159</u>	<u>99,010</u>
At 31 December 2017	<u>14,069</u>	<u>133,454</u>	<u>147,523</u>

14 Debtors

	2018 £	2017 £
Trade debtors	43,245	28,346
Amounts owed by Liberal Democrat related entities	108,760	10,683

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Other debtors	27,997	17,681
Prepayments and accrued income	226,942	204,809
	<u>406,944</u>	<u>261,519</u>

15 Creditors: amounts falling due within one year

	2018 £	2017 £
Bank overdraft	569,772	486,761
Amounts owed to Liberal Democrat related entities	146,422	133,327
Trade creditors	127,547	111,541
Other taxation and social security	89,787	93,259
Other creditors	94,897	120,174
Accruals and deferred income	346,098	142,087
	<u>1,374,523</u>	<u>1,087,149</u>

16 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Other loans	<u>200,000</u>	<u>100,000</u>

Other loans comprise two loans of £100,000 each that are interest free; one is repayable on 30 June 2020 and the other on 28 February 2020.

17 Provisions

	2018 £	2017 £
Dilapidation provision	<u>47,600</u>	<u>-</u>

The dilapidation provision in respect of leasehold properties is expected to reverse within 3 years.

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**18 Reconciliation of movements in reserves**

	<b>General Fund £</b>	<b>Reserve Fund £</b>	<b>Legacy Fund £</b>	<b>Total £</b>	<b>2017 £</b>
At 1 January 2018	(1,159,147)	45,000	369,554	(744,593)	(43,311)
(deficit) for the year	(334,909)	-	-	(334,909)	(701,282)
Transfers between reserves	369,554	-	(369,554)	-	-
At 31 December 2018	<u>(1,124,502)</u>	<u>45,000</u>	<u>-</u>	<u>(1,079,502)</u>	<u>(744,593)</u>

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

Following a decision by the Federal Board to combine the Legacy Fund with the General Fund, the balance on the fund was transferred to the General Fund on 1 January 2018.

**19 Capital commitments**

There are no contracted capital commitments not provided for in the accounts (2017: £nil).

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## 20 Lease commitments

As at 31 December 2018, the party had annual commitments under non-cancellable contracts as follows:

	2018 £	2017 £	2018 £	2017 £
	Land & Buildings	Land & Buildings	Other	Other
Operating leases which expire:				
Within 1 year	436,050	436,050	5,280	5,459
Within 2 to 5 years	654,075	1,526,175	15,840	21,120
After 5 years	-	-	-	-
	<u>1,090,125</u>	<u>1,962,225</u>	<u>21,120</u>	<u>26,579</u>

## 21 Net cash (outflow) from operating activities

	2018 £	2017 £
General Fund (deficit) before taxation	(334,901)	(744,115)
Legacy Fund surplus before taxation	-	42,882
Depreciation	48,513	64,849
(Increase)/decrease in debtors	(145,425)	34,642
Dilapidation provision	47,600	-
Increase/(decrease) in creditors due within one year	204,362	(251,002)
Net cash (outflow) from operating surplus before tax	<u>(179,851)</u>	<u>(852,744)</u>
Investment income	(11)	(34)
Net cash (outflow) from operating activities	<u>(179,862)</u>	<u>(852,778)</u>

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

	2018 £	2017 £
(Decrease) in cash & cash equivalents in the year	(79,858)	(852,815)
Increase in loan	(100,000)	-
Opening net funds/(debts)	(553,247)	299,568
Closing net (debts)	<u>(733,105)</u>	<u>(553,247)</u>



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## 23 Analysis of net debt

	At 1 January 2018 £	Cash flow £	At 31 December 2018 £
Cash at bank and in hand	33,514	3,153	36,667
Loans	(100,000)	(100,000)	(200,000)
Bank overdraft	(486,761)	(83,011)	(569,772)
Net (debt)	<u>(553,247)</u>	<u>(179,858)</u>	<u>(733,105)</u>

## 24 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 2019.

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 £190,619 (2017: £189,178). At 31 December 2018, contributions amounting to £21,155 (2017: £21,953) were payable to these funds and are included within other creditors in note 17.

## 25 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 £5,140 (2017: £9,124).

The Federal Party is related to other bodies within the Liberal Democrats as set out in note 1 above. During the year it received levies from these bodies amounting to £1,312,671 (2017: £1,278,818) and recharged expenditure totalling £1,052,793 (2017: £991,655). Expenditure includes grants to party bodies, expenditure recharged to other party bodies and charges from other party bodies totalling £376,428 (2017: £494,158).

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## 25 Related entity transactions (continued)

The amount owed by related entities at 31 December 2018 was £108,760 (2017: £10,683) and the amount owed to related entities was £146,422 (2017: £133,327).

An amount of nil (2017: nil) has been provided against amounts owed by related entities.

Significant balances owed to related entities are as follows:

Middlesborough & East Cleveland Liberal Democrats	£72,000
North East Region	£30,000
Liberal Democrats in Europe	£11,447

## 26 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 overdraft position under the facility is £20,780 (2017: £52,343 overdraft).

## 27 Membership

As at 31 December 2018 there were 93,649 (2017: 97,403) members of the Party.