



The Liberal Democrats in England

Annual Report

Year Ended

31 December 2018

The Liberal Democrats in England
Financial Statements for the year ended 31 December 2018

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Party Officers and Registered Officers under PPERA:

Chair:	Liz Leffman (to 31 December 2018)
Chair:	Tahir Maher (From January 2019)
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 2018

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 – Liz Leffman
English Council Executive – Liz Leffman
English Candidates – Prue Bray
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.

Staffing

The activities of the Party are performed by employees of The Liberal Democrats (The Federal Party), the cost of which is included in the Federal Party service charge.

Liberal Democrats in England

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

2. *Review of political activities*

As the largest state within the Liberal Democrats, the English party continued to campaign on a range of issues, including its opposition to Brexit and support for a 'People's Vote' on any final Brexit deal proposed by the government. This led to a net increase of 75 seats in the local elections – the best results since 2010 – , many council by-election gains and a dramatic vote increase in the one parliamentary by-election during the year, held in Lewisham East. The English party ensured that more resources were made available to its eleven regions for these activities, and also allocated more resources to local government activity by enhancing its relationship with the Association of Liberal Democrat Councillors.

In terms of our future prospects, these initiatives have already borne fruit in the first half of 2019, with the party achieving a remarkable 700 gains in the English local elections and electing 15 MEPs in England, the largest contingent ever. These dramatic advances are clearly the consequence of the party's success in now being widely identified as the country's leading 'Remain' political force, and polling suggests that this realignment of political loyalties will endure beyond the current debate.

In practical terms, these developments have seen a remarkable growth of some 20% in the party's membership in England, which is now at its highest level ever, as well as the successful launch of a registered supporter's scheme. This membership surge is also producing a consequential upturn in membership income, supplemented by a trend in which new members are also on average paying larger amounts per head.

We expect the party's progress in recent months to be sustained throughout this year and beyond.

3. *Financial review*

In 2018, the Party recorded a surplus of £2,362 (2017: £162,513 surplus), reducing the net liabilities at the year end to £99,523 (2017: £101,885).

The small surplus reported for the year was due to tightening expenditure on running costs to mitigate against the decrease in membership subscription fees collected in the year, in comparison to 2017. The Service Fees and the Membership Incentive Scheme (MIS) paid to local parties is lower in the year because the MIS payment is directly linked to growth in Membership. A new formula for calculating the MIS was introduced in the second half of the year. The MIS was introduced in the last quarter of 2013 to encourage local parties to grow membership. It 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
27 June 2019

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

Opinion

We have audited the financial statements of The Liberal Democrats in England ('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 3.

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.

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

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 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, 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,

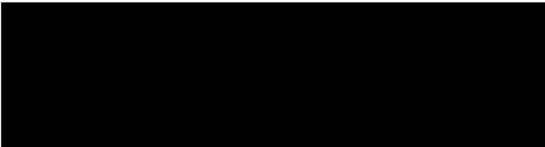
**Liberal Democrats in England
Independent Auditor's Report
To the English Council of the Liberal Democrats in England**

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

Use of the audit report

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.



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



21 June 2019

Liberal Democrats in England
Income and Expenditure Account
For the year ended 31 December 2018

	Note	Total 2018 £	Total 2017 £
Income			
Membership & subscription fees		2,850,726	3,161,967
Recharges to Party bodies		946	829
Other income		5,150	5,100
		<u>2,856,822</u>	<u>3,167,896</u>
Expenditure			
Federal Party levy		1,217,669	1,183,817
Federal Party services		641,989	523,781
Regional rebates		413,517	326,544
Local Party service fees		301,752	658,743
Liberal Youth grant		23,681	24,000
Services to members	4	135,279	145,463
Running costs		100,573	103,035
Grants paid	5	20,000	40,000
		<u>2,854,460</u>	<u>3,005,383</u>
Surplus before taxation	6	2,362	162,513
Taxation		-	-
Surplus for the year		2,362	162,513

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 11 to 16 form part of these financial statements

The Liberal Democrats in England
Balance Sheet as at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Current assets					
Debtors	7	39,984		39,984	
Cash at bank and in hand		<u>282,468</u>		<u>264,076</u>	
		322,452		304,060	
Creditors: amounts falling due within one year	8	<u>(421,975)</u>		<u>(405,945)</u>	
Net current liabilities			(421,975)		(101,885)
Net liabilities			<u>(99,523)</u>		<u>(101,885)</u>
Reserves					
General Fund	9		(99,523)		(101,885)
Total funds			<u>(99,523)</u>		<u>(101,885)</u>

These financial statements were approved by the English Finance & Administration Committee on behalf of the English Council Executive on 27 June 2019.



David Hughes
Registered Treasurer

The notes on pages 11 to 16 form part of these financial statements

The Liberal Democrats in England
Cash Flow Statement
For the year ended 31 December 2018

	Note	2018 £	2017 £
Net cash inflow from operating activities	10	18,392	5,470
Returns on investment and servicing of finance			
Interest received		-	-
UK Tax paid		-	-
Increase in cash	11	<u>18,392</u>	<u>5,470</u>

The notes on pages 11 to 16 form part of these financial statements

The Liberal Democrats in England
Notes forming part of the Financial Statements
For the year ended 31 December 2018

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 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 in England
Notes forming part of the Financial Statements
For the year ended 31 December 2018

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 availability facility.

Therefore, on the basis of the cashflow projections, the Registered Treasurer has a reasonable expectation that Liberal Democrats in England 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:

- 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 Liberal Democrats in England
Notes forming part of the Financial Statements
For the year ended 31 December 2018

1 Accounting policies (continued)

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.

2 Registered Party Officers

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

3 Membership

As at 31 December 2018 there were 84,824 (2017: 88,385) members of the Party.

4 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.

5 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.

6 Deficit before taxation

	2018 £	2017 £
Deficit before taxation is stated after charging:		
Auditor's remuneration - audit services	7,723	7,426
	<u>7,723</u>	<u>7,426</u>

The Liberal Democrats in England
Notes forming part of the Financial Statements
For the year ended 31 December 2018

7 Debtors

	2018	2017
	£	£
Prepayments	39,984	39,984

8 Creditors: amounts falling due within one year

	2018	2017
	£	£
Amounts owed to Liberal Democrat related entities	370,939	380,141
Creditors	40,142	3,174
Accruals and deferred income	10,894	22,630
	<u>421,975</u>	<u>405,945</u>

9 General and total funds

	2018	2017
	£	£
At 1 January 2018	(101,885)	(264,398)
Surplus for the year	2,362	162,513
As at 31 December 2018	<u>(99,523)</u>	<u>(101,885)</u>

10 Net cash inflow from operating activities

	2018	2017
	£	£
Surplus before taxation	2,362	162,513
(Increase) in debtors	-	(9,026)
Increase/(decrease) in creditors	16,030	(148,017)
Net cash inflow from operating activities	<u>18,392</u>	<u>5,470</u>

The Liberal Democrats in England
Notes forming part of the Financial Statements
For the year ended 31 December 2018

11 Reconciliation of net cash inflow to movement in net funds

	2018 £	2017 £
Increase in cash in the year	18,392	5,470
Movement in net funds	18,392	5,470
Opening net funds	264,076	258,606
Closing net funds	282,468	264,076

12 Analysis of net funds

	At 1 January 2018 £	Cash flow £	At 31 December 2018 £
Cash	264,076	18,392	282,468

13 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 £1,956,619 (2017 – £2,193,103). 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 2018 was £641,989 (2017 - £523,781).

Income includes a finance charge for interest foregone as a result of pooling bank balances with other party bodies of £946 (2017 - £829).

As at the year end, £105,127 (2017 - £7,588) was due to The Liberal Democrats (The Federal Party). As at the year end, there was also an amount of £265,812 (2017 - £372,552) owing to other related entities being mainly service fees and rebates owed to local and regional parties respectively, and Nil (2017: Nil) owed by other related entities.

14 Group commitment

At the year-end, the Liberal Democrats in England forms part of the Liberal Democrats bank overdraft facility with The Liberal Democrats (The Federal Party) 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).