



The Liberal Democrats (The Federal Party)
Annual Report
Year Ended
31 December 2019

"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 2019 Contents

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The Liberal Democrats (The Federal Party)

Financial Statements for the year ended 31 December 2019

Party Officers

Registered Officers under PPERA

Leader:	Sir Vince Cable MP (to July 2019)
Leader:	Jo Swinson (from July 2019 to December 2019)
Leader (interim joint leaders):	Sir Ed Davey / Baroness Sal Brinton (from December 2019)
Leader (interim joint leaders):	Sir Ed Davey / Dr Mark Pack (from January 2020)
Registered Treasurer:	Anthony Harris
Nominating officer:	Sarah Morris
Campaigns officer:	Sir Nick Harvey (to October 2019)
Campaigns officer:	Mike Dixon (from October 2019)

Office Holders

Deputy campaigns officer:	Paul Moat
English Party Chair:	Tahir Maher
Convenor of the Scottish Party:	Sheila Ritchie
Chair of the Welsh National	
Executive Committee:	Cadan ap Tomos
Treasurer:	Lord Mike German
Chief Executive:	Sir Nick Harvey (to October 2019)
Chief Executive:	Mike Dixon (from October 2019)
Party President:	Baroness Sal Brinton (to January 2020)
Party President:	Dr Mark Pack (from January 2020)

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

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

Auditor

Mazars LLP, Tower Bridge House, St Katharine's Way, London, E1W 1DD

Report of the Party Officers for the year ended 31 December 2019

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)

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 417 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 (to December 2019)

Federal Board – Dr Mark Pack (from January 2020)

Federal Policy – Sir Vince Cable MP (to July 2019)

Federal Policy – Jo Swinson (from July to December 2019)

Federal Policy – Sir Ed Davey (from December 2019)

Federal Conference – Geoff Payne

Federal Finance & Resources – Anthony Harris

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.

Report of the Party Officers for the year ended 31 December 2019

The Liberal Democrats (The Federal Party)

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 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* (to December 2019)
Dr Mark Pack* (from January 2020)
Sir Vince Cable MP* (to July 2019)
Jo Swinson MP* (from July to December 2019)
Sir Ed Davey MP* (from December 2019)
Lord Mike German*
Anthony Harris*

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

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2019

Elected representatives

The Party has 11 elected members of the Westminster Parliament and 16 members of the European Parliaments. In addition there are 92 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 2019 there were approximately 2,544 Liberal Democrat Councillors. There are also two directly elected Liberal Democrat Mayors.

Staffing

The principal permanent members of staff are:

Chief Executive – Sir Nick Harvey (to October 2019)
Chief Executive – Mike Dixon (from October 2019)
Director of Elections & Campaigns – Shaun Roberts
Deputy Director of Operations – Sian Waddington
Director of Communications – Sam Barratt
Deputy Chief Executive & Director of Fundraiser – Emma Cherniavsky
Director of People – Rachel Palma Randle (to February 2019)
Financial Controller – Fern McLurg (from May 2019)

Accounting units

The Party has 417 accounting units registered with the Electoral Commission.

2. *Review of political activities*

This was a year of great change in British politics and for the Liberal Democrats, dominated by Brexit. It was a busy year for campaigning with multiple elections. In May's local elections we gained 706 local councillors, and in the Euro elections we gained 16 seats with a 19.6% share of the vote, on the basis of a strong 'Bollocks to Brexit' campaign that gained widespread support.

Our membership continued to grow throughout the year to historically high levels, and a number of MPs from other political parties joined us. This gave us a richer diversity of opinions and experiences on which to draw.

Over the summer we held a leadership contest, electing Jo Swinson MP as our new leader. Our Autumn conference in September was a positive and celebratory event, which reflected the party's sense of optimism and recent electoral success. This conference made some significant policy decisions through our democratic processes.

In local Government our councillors led successful local delivery where we have overall control, and challenged effectively where we are in opposition.

The Liberal Democrats (The Federal Party)

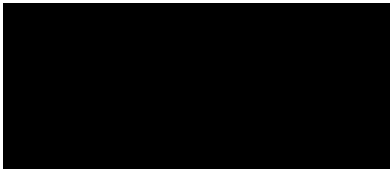
As it became clear that a general election was increasingly likely, we started to prepare financially and practically for a winter campaign.

Report of the Party Officers for the year ended 31 December 2019

We fought our general election campaign on the basis of stopping Brexit. Although we gained more than one million votes compared to the previous general election in 2017, we lost a number of seats, including that of our leader, and ended with a reduced Parliamentary presence.

Our deputy leader took over as interim leader immediately after the election.

We managed our finances carefully through the year and ended the year in a substantially stronger financial position. We also started a thorough and independent review of our electoral performance that will be reported in 2020.



Mike Dixon
CEO
30 June 2020

The Liberal Democrats (The Federal Party)

Report of the Registered Treasurer for the year ended 31 December 2019

Financial review

As was reported in the last published accounts, the Federal Party ended 2018 with a significant deficit primarily due to a lack of any major political events (general elections or referenda). The year 2019 could not have been more different and included European Elections, a major round of Council Elections, and a snap General Election. These events contributed to a significant uplift in membership and donor income in the year. Restructuring initiatives, necessary to balance the 2018/19 budgets, significant enhancements in financial oversight, and cost saving measures implemented over the course of 2018 and 2019 have been transformational.

The Federal Party ended the year 2019 with a surplus of £4,712,016 and the brought forward negative reserve of £1,079,502 has been transformed into a positive reserve of £3,632,514.

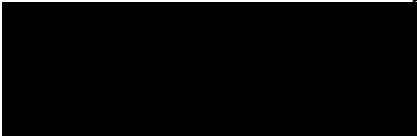
Brexit and COVID-19 Review

The United Kingdom withdrew from the European Union on 31 January 2020 and entered into an Implementation Period which is scheduled to end on 31 December 2020. However, the terms of the future trade, and other relationships, with the European Union are not yet clear, and it is therefore not currently possible to evaluate all the potential implications on the Party and the wider economy. In order to manage the uncertainties associated with Brexit, the Registered Treasurer has assessed the potential impacts of Brexit and has put in place measures to monitor the on-going impacts. To date, Brexit has had a positive overall impact both on donations received and on membership numbers.

As regards the recent emergence of the global coronavirus (COVID-19), the full impact is still unknown. It is therefore not currently possible to evaluate all the potential implications on the Party. Please refer to page 15 for further details of the impact of Covid-19 on our going concern assessment.

However, the Party believes it is well placed to address the potential impacts of both Brexit and COVID-19 on its activities and on the activities of its donors, recognising that the uncertainties caused by these major events may bring changes to the way that each operate in the short to medium term.

At the time of signing these financial statements, the Registered Treasurer has not identified any impacts of Brexit or of COVID-19 which might require a material change to the current activities of the Party, nor which would require any adjustments to the amounts presented in the financial statements at 31 December 2019.



Anthony Harris
Registered Treasurer
30 June 2020

The Liberal Democrats (The Federal Party) 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 Federal Conference of The Liberal Democrats (The Federal Party)

Opinion

We have audited the financial statements of The Liberal Democrats (The Federal Party) ('The Federal Party') for the year ended 31 December 2019 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 The Federal Party's affairs as at 31 December 2019 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 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.

Emphasis of matter – impact of COVID-19 on the financial statements

In forming our opinion on The Federal Party's financial statements, which is not modified, we draw your attention to the Registered Treasurers' view on the impact of the COVID-19 as disclosed on page 7, and the consideration in the going concern basis of preparation on page 15 and non-adjusting post balance sheet events on page 26.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020, with widespread disruption to normal patterns of business activity across the world, including the UK. The full impact of COVID-19 is still unknown and it is therefore not currently possible to evaluate all the potential implications for the Party, its membership, donors and the wider economy.

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

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 8, 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

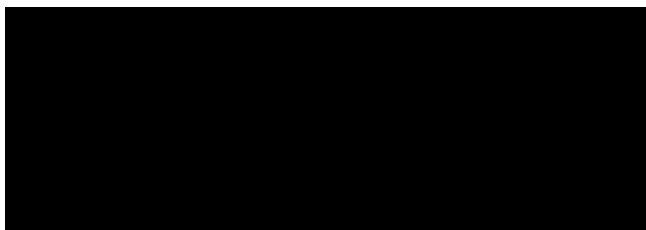
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

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

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
Tower Bridge House
St Katharine's Way
London
E1W 1DD
30 June 2020

The Liberal Democrats (The Federal Party) Income and Expenditure Account For the year ended 31 December 2019

	Note	2019	2018
		£	£
Income			
Donations		19,615,866	2,624,986
Membership and subscription fees		2,315,018	1,312,671
Conference income	2	658,481	467,336
Notional income	3	93,100	54,301
Grants	4	687,704	542,277
Interest receivable		15	11
Recharges to party bodies	5	1,048,291	1,052,793
Other income	6	199,465	148,224
		<u>24,617,942</u>	<u>6,202,599</u>
Expenditure			
Fundraising expenditure		78,722	76,172
Conference expenditure - direct	2	386,953	394,506
Notional expenditure	3	93,100	54,301
Depreciation and amortisation	7	38,146	48,513
Campaign expenditure		12,494,806	694,057
Staff costs	8	3,493,263	3,172,248
Premises & office costs		1,468,952	1,041,610
IT & polling costs		580,644	534,156
Interest payable and similar charges	10	109,120	62,984
Grants to party bodies	11	630,300	314,860
Services to members		254,791	-
Expenditure recharged from other party bodies		-	61,567

Audit fees	7	40,074	16,750
Other expenditure		<u>237,054</u>	<u>65,777</u>
		19,905,926	6,537,501
Surplus/(deficit) before taxation	7	4,712,016	(334,902)
Taxation surplus/(deficit)	12	-	(7)
Surplus/(deficit) for the year		<u>4,712,016</u>	<u>(334,909)</u>

The notes on pages 15 to 26 form part of the financial statements
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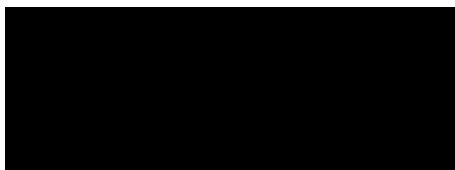
The Liberal Democrats (The Federal Party) Balance Sheet as at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	13		60,864		99,010
Current assets					
Debtors	14	468,868		406,944	
Cash at bank and in hand		<u>6,562,087</u>		<u>36,667</u>	
		7,030,955		443,611	
Creditors: amounts falling due within one year					
Creditors	15	(2,739,105)		(1,374,523)	
Net current assets/ (liabilities)			<u>4,291,850</u>		<u>(930,912)</u>
Total assets less current liabilities			4,352,714		(831,902)

**Creditors: amounts falling due
after more than one year**

Loans	16	(200,000)	(200,000)
Provisions for liabilities	17	(520,200)	(47,600)
Net assets/(liabilities)		<u>3,632,514</u>	<u>(1,079,502)</u>
Reserves			
General Fund	18	3,587,514	(1,124,502)
Reserve Fund	18	45,000	45,000
Total deficit		<u>3,632,514</u>	<u>(1,079,502)</u>

The financial statements were approved by the Federal Finance & Resources Committee on 30 June 2020.



Anthony Harris
**Registered
Treasurer**

The notes on pages 15 to 26 form part of the financial statements

The Liberal Democrats (The Federal Party) Cash Flow Statement
For the year ended 31 December 2019

	Note	2019 £	2018 £
Net cash inflow/(outflow) from operating activities	21	6,995,177	(179,862)
Returns on investment and servicing of finance			
Interest received		15	11
UK Tax paid		-	(7)
Cash from financing activities:			
External loan received		200,000	100,000
External loan repaid		(100,000)	-
Increase/(Decrease) in cash & cash equivalents	22	<u>7,095,192</u>	<u>(79,858)</u>

The notes on pages 15 to 26 form part of the financial statements

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 417 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. Management 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.

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 of relevant 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)

Management has reviewed the cash flow projections to the end of December 2021 along with the risks due to the impact of the Covid-19 pandemic. These main risks include reduced donor and membership income along with reduced income from conferences while lock down measures are in place and the possibility that conferences may look and operate differently once lockdown measures have been lifted.

Management has produced a most likely cash forecast which includes the risk of significant reduction of donations and membership income along with cost mitigation measures such as delaying planned projects and reducing variable spend where possible. At year end, the Party is in a much improved cash position compared to recent years, due to the influx of donations during the run up to the General Election. As a result of this improved cash position and the Party's dynamic response to the rapidly changing situation, the Party believes that it will be able to meet its financial obligations without the use of the £1m loan and overdraft facilities available to the Party.

A "reverse stress test" was completed on cash flows and it was concluded that even in the very unlikely scenario of a 50% reduction in all Membership & donation income the financial projections indicate that the Party will be able to operate within its available loan and overdraft facilities to December 2021.

As such, management are satisfied that the Party has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing these financial statements. These assessments were based on management's best estimate at this point in time which may be subject to change in the future as the Covid-19 situation further evolves.

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.
- Policy Development Fund grant is recognised in the Income and Expenditure account when the conditions for receipt of the grant have been met and 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 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.

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 2020.

The amounts involved are not reflected in the accounts as they are not material.

Defined contribution scheme:

The notes on pages 15 to 26 form part of the financial statements

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.

1 Accounting policies (continued)

Tax

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

2 Surplus/(Deficit) on conferences

	2019 £	2018 £
Income	658,481	467,336
Expenditure		
Direct costs	386,953	394,506
Premises & office costs	21,365	19,032
Staff costs	152,759	143,019
	<hr/>	<hr/>
Total expenditure	561,077	556,557
	<hr/>	<hr/>
Surplus/(Deficit) for the year	97,404	(89,221)
	<hr/> <hr/>	<hr/> <hr/>

3 Notional income and expenditure

	2019 £	2018 £
Market value of services donated	93,100	54,301
	<hr/> <hr/>	<hr/> <hr/>

4 Grants received

	2019 £	2018 £
Joseph Rowntree Reform Trust grant	211,242	76,680
Policy development grant	476,462	465,597
	<hr/>	<hr/>
	687,704	542,277
	<hr/> <hr/>	<hr/> <hr/>

5 Recharges to party bodies

2019 £	2018 £
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Fixed cross charge to State Parties	820,075	745,245
Variable cross charge to State Parties	-	40,163
Charges to other party bodies	228,216	267,385
	<u>1,048,291</u>	<u>1,052,793</u>

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

	2019	2018
	£	£
Westminster Foundation for Democracy management fee	5,646 37,297	
Events income	40,264 3,599	
Newspaper income	23,169	21,616
Affinity Income	10,750	6,449
Miscellaneous income	119,636	79,263
	<u>199,465</u>	<u>148,224</u>

7 Surplus/(deficit) before taxation

	2019	2018
	£	£

The surplus/(deficit) before taxation is stated after charging:

Auditors' remuneration	- audit of financial statements	18,653	16,750
- other regulatory reporting	28,500	-	
Operating lease charge	- property	436,050	436,050
- equipment	5,280 5,280		
Depreciation		38,146	48,513
		<u></u>	<u></u>

8 Employees

	2019	2018
	£	£

Staff costs consist of:

Wages and salaries	2,540,846	2,443,079
Social security costs	252,612	232,719
Other pension costs	175,493	190,619
Other staff related costs	524,312	305,831
	<u>3,493,263</u>	<u>3,172,248</u>

The notes on pages 15 to 26 form part of the financial statements

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

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

2019 Number	2018 Number
79	71

9 Registered Party Officers

None of the Registered Officers under PPERA or Committee Chairs received any remuneration in that capacity in 2019 (2018 - £nil).

10 Interest payable and similar charges

	2019 £	2018 £
Bank charges	107,513	59,938
Interest payable	1,607	3,046
	<u>109,120</u>	<u>62,984</u>

11 Grants to party bodies

	2019 £	2018 £
Grants to Specified Associated Organisations	324,756	43,603
Grants to other party bodies	305,544	271,257
	<u>630,300</u>	<u>314,860</u>

12 Taxation on surplus from ordinary activities

	2019 £	2018 £
Taxation on investment income	-	7

The notes on pages 15 to 26 form part of the financial statements

-	7
<u> </u>	<u> </u>

13 Tangible assets

Computer	Fixtures	software	& fittings	Total
	£	£		£
<i>Cost</i>				
At 1 January 2019	323,415	362,922		686,337
Additions	-	-		-
<u>At 31 December 2019</u>	<u>323,415</u>	<u>362,922</u>		<u>686,337</u>
<i>Depreciation</i>				
At 1 January 2019	321,564	265,763		587,327
Charge for the year	1,851	36,295		38,146
<u>At 31 December 2019</u>	<u>323,415</u>	<u>302,058</u>		<u>625,473</u>
<i>Net book value</i>				
At 31 December 2019	-	60,864		60,864
<u>At 31 December 2018</u>	<u>1,851</u>	<u>97,159</u>		<u>99,010</u>

14 Debtors

	2019	2018
	£	£
Trade debtors	7,271	43,245
Amounts owed by Liberal Democrat related entities	224,056	108,760
Other debtors	22,928	27,997
Prepayments and accrued income	214,613	226,942
	<u>468,868</u>	<u>406,944</u>

The notes on pages 15 to 26 form part of the financial statements

15 Creditors: amounts falling due within one year

	2019	2018
	£	£
Bank overdraft	-	569,772
Loan	100,000	-
Amounts owed to Liberal Democrat related entities	214,727	146,422
Trade creditors	1,810,681	127,547
Other taxation and social security	164,336	89,787
Other creditors	133,969	94,897
Accruals and deferred income	315,392	346,098
	<hr/>	<hr/>
2,739,105	1,374,523	<hr/> <hr/>

16 Loans

	2019	2018
	£	£
Loan: amounts falling due after more than one year	200,000	200,000
Loan: amounts falling due within one year	100,000	-
	<hr/>	<hr/>

Loan amounts falling due after more than one year comprises of a loan facility of £500,000, repayable on 1 January 2023. Only £200,000 out of the £500,000 facility has been used during the year. The loan carries interest at 2%, however the interest charge has been waived.

Loan amounts due within one year comprises of one loan which is interest free and repayable on 28 February 2020.

17 Provisions for liabilities

Regulatory matters and claims £	Dilapidations £	Total £
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The notes on pages 15 to 26 form part of the financial statements

At 1 January 2019	-	47,600	47,600
Additions during the year	425,000	47,600	472,600
At 31 December 2019	<u>425,000</u>	<u>95,200</u>	520,200

Provision for regulatory matters and claims is for events that remained open at year end and is expected to reverse within one year.

The provision falling due after one year is for dilapidations in respect of leasehold properties and is expected to reverse within 2 years.

18 Reconciliation of movements in reserves

	General Fund £	Reserve Fund £	Total £
At 1 January 2019	(1,124,502)	45,000	(1,079,502)
Surplus/(deficit) the year	4,712,016	-	4,712,016 for
At 31 December 2019	<u>3,587,514</u>	<u>45,000</u>	<u>3,632,514</u>

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

19 Capital commitments

There are no contracted capital commitments not provided for in the accounts (2018: £nil).

The notes on pages 15 to 26 form part of the financial statements

20 Lease commitments

As at 31 December 2019, the party had annual commitments under non-cancellable contracts as follows:

	2019	2018	2019	2018
	£	£	£	£
	Land & Buildings	Land & Buildings	Other	Other
Operating leases which expire:				
Within 1 year	436,050	436,050	5,280	5,280
Within 2 to 5 years	218,025	654,075	10,560	15,840
After 5 years	-	-	-	-
	<u>654,075</u>	<u>1,090,125</u>	<u>15,840</u>	<u>21,120</u>
	<u><u>654,075</u></u>	<u><u>1,090,125</u></u>	<u><u>15,840</u></u>	<u><u>21,120</u></u>

21 Net cash inflow/(outflow) from operating activities

	2019	2018
	£	£
General Fund surplus/(deficit) before taxation	4,712,016	(334,902)
Depreciation	38,146	48,513
(Increase) in debtors	(61,924)	(145,425)
Increase in provisions	472,600	47,600
Increase in creditors due within one year	1,834,354	204,363
	<u>6,995,192</u>	<u>(179,851)</u>
Net cash inflow/(outflow) from operating surplus/(deficit) before tax	6,995,192	(179,851)
Investment income	(15)	(11)
Net cash inflow/(outflow) from operating activities	<u><u>6,995,177</u></u>	<u><u>(179,862)</u></u>

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

	2019	2018
	£	£
Increase/(decrease) in cash & cash equivalents in the year	7,095,192	(79,858)
Increase in loan	(100,000)	(100,000)
Opening net/(debt)	<u>(733,105)</u>	<u>(553,247)</u>

The notes on pages 15 to 26 form part of the financial statements

Closing net funds/(debts)	6,262,087 (733,105)
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23 Analysis of net assets/(debt)

	At 1 January 2019 £	Cash flow £	At 31 December 2019 £
Cash at bank and in hand	36,667	6,525,420	6,562,087
Loans	(200,000)	(100,000)	(300,000)
Bank overdraft	(569,772)	569,772	-
Net assets/(debt)	(733,105)	6,995,192	6,262,087

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 2020.

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 £175,493 (2018: £190,619). At 31 December 2019, contributions amounting to £24,450 (2018: £21,155) were payable to these funds and are included within other creditors in note 15.

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 £5,701 (2018: £5,140).

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 £2,315,018 (2018: £1,312,671) and recharged expenditure totalling £1,048,291 (2018: £1,052,793). Expenditure includes grants to party bodies, expenditure recharged to other party bodies and charges from other party bodies totalling £630,300 (2018: £376,428).

26 Related entity transactions (continued)

The amount owed by related entities at 31 December 2019 was £224,056 (2018: £108,760) and the amount owed to related entities was £214,727 (2018: £146,422).

Significant balances owed to related entities are as follows:

Middlesbrough & East Cleveland Liberal Democrats	£60,000
North East Region	£30,000

27 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. The facility is unused. At the year-end the net cash position under the facility is £7,149,945 (2018: £20,780 overdraft).

28 Membership

As at 31 December 2019 there were 126,724 (2018: 93,649) members of the Party.

29 Post Balance sheet event

Since the balance sheet date, the emergence and impact of Covid-19 has evolved rapidly. In light of the information that was available as at 2019 year-end, the Covid-19 outbreak is considered to be a non-adjusting event in the 31 December 2019 financial statements.

An assessment of the Party's cash flows to 30 June 2021 has been made on a most likely and reverse stress scenario basis. This assessment is based on management's best estimate at this point in time which may be subject to change in the future as the Covid19 situation evolves further. Refer to page 15 for further details of the impact of Covid-19 on our going concern assessment.

There have been no additional post balance sheet events that require disclosure in the financial statements.

