



The Liberal Democrats (The Federal Party)

Annual Report

Year Ended

31 December 2021

"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)
Annual Report for the year ended 31 December 2021

Contents

Page:

| | |
|----|--|
| 2 | Party Officers |
| 3 | Report of the Party Officers |
| 7 | Report of the Registered Treasurer |
| 8 | Statement of Registered Treasurer's Responsibilities |
| 9 | Independent Auditor's Report |
| 12 | Income and Expenditure Account |
| 13 | Balance Sheet |
| 14 | Cash Flow Statement |
| 15 | Notes forming part of the financial statements |

The Liberal Democrats (The Federal Party) Annual Report for the year ended 31 December 2021

Party Officers

Registered Officers under the Political Parties, Elections and Referendums Act 2000 (PPERA).

| | |
|-----------------------|--|
| Leader: | Sir Ed Davey |
| Registered Treasurer: | Anthony Harris (Until 20 th May 2022) Michael F Cox (from 20 th May 2022) |
| Nominating officer: | Sarah Morris |
| Campaigns officer: | Mike Dixon |

Office Holders

| | |
|---|-----------------------------------|
| English Party Chair: | Alison Rouse |
| Convenor of the Scottish Party: | Sheila Ritchie |
| Chair of the Welsh National Executive Committee: | Paula Yates |
| Treasurer: | Lord Mike German to March 2021 |
| Treasurer: | Matilda McAuliffe from March 2021 |
| Chief Executive: | Mike Dixon |
| Party President: | Dr Mark Pack |

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

1 Vincent Square, London, SW1P 2PN

Auditor

UHY Hacker Young LLP, Quadrant House, 4 Thomas More Square, London, E1W 1YW

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2021

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 414 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 during the year are:

- Federal Board – Dr Mark Pack
- Federal Policy – Sir Ed Davey
- Federal Conference – Geoff Payne
- Federal Finance & Resources – Anthony Harris
- Federal Communications & Elections – Lisa Smart
- Federal People Development: Bess Mayhew
- Federal International Relations – Jonathan Fryer
- 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 6.1 of the constitution.

Conference is organised by the Federal Conference Committee (FCC), membership of which is defined by article 11.2 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 9.2 of the constitution.

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2021

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 12.2 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 13.2 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 14.3 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 15.1 of the constitution. Membership of the FIRC is defined by article 15.2 of the constitution.

The Federal Audit and Scrutiny Committee (FASC) is appointed by the Federal Board. The FASC's responsibilities are defined by article 16.2 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 16.3 of the constitution.

The members of the FASC during the year are:

Helena Cole (Chair)
Matthew Green
Andy Cole
Roderick Lynch
David Radcliffe
Mark Pack*
Ed Davey MP*
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 2021

Elected representatives

The Party has 13 elected members of the Westminster Parliament and there are 84 Liberal Democrat members of the House of Lords, four Liberal Democrat members of the Scottish Parliament, one Liberal Democrat member of the Welsh Assembly and two Liberal Democrat members of the Greater London Authority. As of December 2021 there were approximately 2,495 Liberal Democrat Councillors. There are also two directly elected Liberal Democrat Mayors.

Staffing

The principal permanent members of staff during the year are:

Chief Executive – Mike Dixon
Director of Communications: Ollie Grender (from August 2021)
Director of Strategy, Research and Messaging: Mimi Turner (to August 2021)
Director of Field Campaigns: Dave McCobb
Chief Operating Officer: Trudy Church
Director of Operations: Sian Waddington
Chief Technology Officer: Duncan Gough (to August 2021)
Financial Controller: Fern McLurg

Accounting units

The Party has 414 accounting units registered with the Electoral Commission.

2. *Review of political activities*

2021 was dominated by Covid and the impact this had on the country and people's lives.

Our party responded well to this, operationally and politically.

Operationally, we moved to smaller office that was more suitable for hybrid and remote teams, and made good use of more collaborative remote-working tools. Over time we developed regular, systematic ways of working together and ended the year more connected with one another and local parties than for a long time.

Financially we performed in line with our budgeted plans. We continue to run a planned deficit over the rest of the electoral cycle.

Our political focus was largely on support for carers and small businesses, both groups that were let down badly by the Government. And despite politically motivated restrictions on campaigning, we did well in the English local elections, increasing our number of councillors and the number of councils under our control.

In the Senedd elections we retained representation and suffered only a small loss in the Scottish Parliament elections.

Our biggest political successes were two high profile Westminster byelections, first in Chesham and Amersham, and then in North Shropshire. After highly effective campaigns, we achieved the 18th and 7th biggest swings in British political history; the first time the party has won two Westminster byelections from the Government in 28

The Liberal Democrats (The Federal Party)
Report of the Party Officers for the year ended 31 December 2021

years. These re-established us firmly as a relevant national political force, threatening Conservatives in the Blue Wall.

We also held two online conferences, one in the Spring and one in the Autumn. At the Spring conference subjects debated included support for unpaid carers and the future of the UK-EU relationship. Amongst a varied range of topics discussed at the Autumn conference were aspects of the Climate Emergency and action to tackle it, and a fairer, greener more caring society.

We go into 2022 in a strong position, with a higher profile and a renewed confidence that we can win and represent people across the country.



Mike Dixon
CEO
30 June 2022

The Liberal Democrats (The Federal Party) Report of the Registered Treasurer for the year ended 31 December 2021

Financial review

The Covid 19 pandemic continued to impact the Party's finances throughout 2021. This was

particularly the case with our conferences where income tends to be significantly lower from online rather than physical events. However, despite these challenges, our final end-year result was encouraging being £0.2m better than budgeted.

In previous years property lease and service charges (premises costs) have been high and weighed heavily on the Party's finances. However, during the year under review, the Party was able to move to a new more cost-effective headquarters which, after an investment in one-time fit-out and moving expenses, has already delivered a fall in premises costs this year of almost £0.2m. There will be a further reduction in 2022 as the full year effect of the move comes through and, in subsequent years, a substantial overall reduction in premises costs when compared with the Party's previous Westminster premises.

The Party exists to campaign, and this was reflected in a significant increase in campaign costs of just under half a million pounds. Much of this was attributable to the cost of two by-elections fought during the year where the Party's successes demonstrated that this was money well spent!

Membership is the lifeblood of any organisation and the Liberal Democrats are no different. Membership income has stabilised from the fall after the 2019 election and income from donations has significantly risen

The Federal Party finance and management team have worked extremely hard to keep costs under control and although the Federal Party ended the financial year 2021 with a deficit of less than £1m this can be considered a good result particularly given all the fundraising and other financial challenges that were posed by COVID.

Whilst the party continues to remain debt free the deficit has reduced our brought forward reserve of £2.5m to £1.5m. However the Party is on track to eliminating its deficits and providing sustainable reserves to continue its campaigns.

This result is a testament to the efforts of our Federal Party staff who work so hard to manage the Party's income and expenditure as well as retaining healthy reserves.



Mike Cox
Registered Treasurer
30 June 2022

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 2021 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 2021 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Federal Party's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Federal Party's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Registered Treasurer with respect to going concern are described in the relevant sections of this report.

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.

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Federal Party and its activities, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Political Parties, Elections and Referendums Act 2000.

We evaluated the Registered Treasurer's and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting

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

manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Registered Treasurer and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Federal Party which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Registered Treasurer and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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 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.

UHY Hacker Young LLP

Chartered Accountants and Statutory Auditor

Quadrant House, 4 Thomas More Square, London, E1W 1YW

30 June 2022

The Liberal Democrats (The Federal Party)
Income and Expenditure Account
For the year ended 31 December 2021

| | Note | 2021 £ | 2020 £ |
|--------------------------------------|------|-------------------------|---------------------------|
| Income | | | |
| Donations | | 1,935,997 | 1,388,023 |
| Membership and subscription fees | | 1,574,472 | 1,860,684 |
| Conference income | 2 | 170,686 | 168,110 |
| Notional income | 3 | 93,484 | - |
| Grants | 4 | 451,177 | 457,522 |
| Interest receivable | | 102,818 | 1,319 |
| Recharges to party bodies | 5 | 936,019 | 1,111,687 |
| Other income | 6 | 468,686 | 329,401 |
| | | <u>5,733,339</u> | <u>5,316,746</u> |
| Expenditure | | | |
| Fundraising expenditure | | 72,966 | 41,063 |
| Conference expenditure - direct | 2 | 170,202 | 194,952 |
| Notional expenditure | 3 | 93,484 | - |
| Depreciation and amortisation | 7 | 47,655 | 36,295 |
| Campaign expenditure | | 738,857 | 334,973 |
| Staff costs | 8 | 3,380,426 | 3,449,545 |
| Premises & office costs | | 740,328 | 918,302 |
| IT & polling costs | | 558,464 | 491,235 |
| Interest payable and similar charges | 10 | 63,513 | 51,043 |
| Grants to party bodies | 11 | 606,709 | 676,018 |
| Services to members | | 90,429 | 157,896 |
| Audit fees | 7 | 24,308 | 40,690 |
| Other expenditure | | 51,397 | 101,735 |
| | | <u>6,638,738</u> | <u>6,493,747</u> |
| Deficit before taxation | 7 | (905,399) | (1,177,001) |
| Taxation on deficit | 12 | <u>(20,803)</u> | - |
| Deficit for the year | 18 | <u>(926,202)</u> | <u>(1,177,001)</u> |

The Liberal Democrats (The Federal Party)
Balance Sheet as at 31 December 2021

| | Note | 2021 £ | 2021 £ | 2020 £ | 2020 £ |
|---|------|------------------|-------------------------|------------------|-------------------------|
| Fixed assets | | | | | |
| Tangible assets | 13 | | 323,205 | | 24,569 |
| Current assets | | | | | |
| Debtors | 14 | 737,418 | | 552,207 | |
| Short term investments | 15 | 603,376 | | 501,617 | |
| Cash at bank and in hand | | <u>957,231</u> | | <u>2,299,931</u> | |
| | | 2,298,025 | | 3,353,755 | |
| Creditors: amounts falling due within one year | | | | | |
| Creditors | 16 | (737,619) | | (570,611) | |
| Net current assets | | | <u>1,560,406</u> | | <u>2,783,144</u> |
| Total assets less current liabilities | | | 1,883,611 | | 2,807,713 |
| Provisions for liabilities | 17 | | (354,300) | | (352,200) |
| Net assets | | | <u>1,529,311</u> | | <u>2,455,513</u> |
| Reserves | | | | | |
| General Fund | 18 | | 1,484,311 | | 2,410,513 |
| Reserve Fund | 18 | | 45,000 | | 45,000 |
| Total funds | | | <u>1,529,311</u> | | <u>2,455,513</u> |

The financial statements were approved by the Federal Finance & Resources Committee on 30 June 2022.



Mike Cox
Registered Treasurer

The Liberal Democrats (The Federal Party)
Cash Flow Statement
For the year ended 31 December 2021

| | Note | 2021 £ | 2020 £ |
|---|------|--------------------|--------------------|
| Net cash outflow from operating activities | 21 | (997,217) | (3,461,858) |
| Returns on investment and servicing of finance | | | |
| Interest received | | 1,059 | 1,319 |
| UK Tax paid | | (251) | - |
| Cash from investing activities: | | | |
| Purchase of fixed assets | | (346,291) | - |
| Donation of investments | | - | (501,617) |
| Cash from financing activities: | | | |
| External loan repaid | | - | (300,000) |
| Decrease in cash & cash equivalents | 22 | <u>(1,342,700)</u> | <u>(4,262,156)</u> |

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 414 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.

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.

Management has reviewed the aggregated cash flow projections for the entities to the end of June 2023 which indicate that the entities are expected to be able to operate within the currently available bank facility throughout that period. The Party has reviewed the sensitivities around membership and donation income and in the event of a significant decrease will take mitigating actions if necessary.

1 Accounting policies (continued)

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 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 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 |

Fixed asset investments

Fixed asset investments are stated at their year-end bid price. As a result, the income and expenditure account includes those unrealised gains and losses arising from the revaluation of the investment portfolio at the year end.

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.

1 Accounting policies (continued)

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 2022.

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 organisation, tax is only charged on investment income.

2 Deficit on conferences

| | 2021 £ | 2020 £ |
|-------------------------|-----------|-----------|
| Income | 170,686 | 168,110 |
| Expenditure | | |
| Direct costs | 170,202 | 194,952 |
| Premises & office costs | 14,565 | 20,651 |
| Staff costs | 165,788 | 164,569 |
| | <hr/> | <hr/> |
| Total expenditure | 350,555 | 380,172 |
| | <hr/> | <hr/> |
| Deficit for the year | (179,869) | (212,062) |
| | <hr/> | <hr/> |

3 Notional income and expenditure

| | 2021 £ | 2020 £ |
|----------------------------------|-------------------|-------------------|
| Market value of services donated | 93,484 | - |
| | <u> </u> | <u> </u> |

4 Grants received

| | 2021 £ | 2020 £ |
|--------------------------|-------------------|-------------------|
| Policy development grant | 451,177 | 457,522 |
| | <u> </u> | <u> </u> |

5 Recharges to party bodies

| | 2021 £ | 2020 £ |
|-------------------------------------|----------------|------------------|
| Fixed cross charge to State Parties | 758,208 | 902,634 |
| Charges to other party bodies | 177,811 | 209,053 |
| | <u>936,019</u> | <u>1,111,687</u> |

The fixed cross charge represents agreed recharges between the Federal Party and State Parties to cover services provided by the Federal Party.

6 Other income

| | 2021 £ | 2020 £ |
|----------------------|----------------|----------------|
| Events income | 333 | 2,375 |
| Newspaper income | 15,796 | 17,460 |
| Affinity income | 4,237 | 11,311 |
| Miscellaneous income | 448,320 | 298,255 |
| | <u>468,686</u> | <u>329,401</u> |

Miscellaneous income includes £325,000 in relation to statutory compensation for vacating our previous office.

7 Deficit before taxation

| | 2021 £ | 2020 £ |
|--|-------------------|-------------------|
| The deficit before taxation is stated after charging: | | |
| Auditors' remuneration - audit of financial statements | 22,508 | 22,690 |
| - other regulatory reporting | 1,800 | 18,000 |
| Operating lease charge - property | 311,460 | 444,609 |
| - equipment | 4,987 | 5,280 |
| Depreciation | 47,655 | 36,295 |
| | <u> </u> | <u> </u> |

8 Employees

| | 2021 £ | 2020 £ |
|---------------------------|------------------|------------------|
| Staff costs consist of: | | |
| Wages and salaries | 2,668,718 | 2,645,707 |
| Social security costs | 271,685 | 271,324 |
| Other pension costs | 95,658 | 204,013 |
| Other staff related costs | 344,365 | 328,501 |
| | <u>3,380,426</u> | <u>3,449,545</u> |

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

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

| | 2021 Number | 2020 Number |
|-----------|-------------------|-------------------|
| Employees | 68 | 70 |
| | <u> </u> | <u> </u> |

9 Remuneration of Registered Party Officers

None of the Registered Officers under PPERA or Committee Chairs received any remuneration in that capacity in 2021 (2020 - £nil).

10 Interest payable and similar charges

| | 2021 £ | 2020 £ |
|------------------|---------------|---------------|
| Bank charges | 63,513 | 50,284 |
| Interest payable | - | 759 |
| | <u>63,513</u> | <u>51,043</u> |

11 Grants to party bodies

| | 2021 £ | 2020 £ |
|--|----------------|----------------|
| Grants to Specified Associated Organisations | 326,000 | 326,310 |
| Grants to other party bodies | 280,709 | 349,708 |
| | <u>606,709</u> | <u>676,018</u> |

12 Taxation on deficit from ordinary activities

| | 2021 £ | 2020 £ |
|-------------------------------------|---------------|-----------|
| Taxation on investment income | 201 | - |
| Adjustment in respect of prior year | 250 | - |
| Provision for tax on capital gains | 20,352 | - |
| | <u>20,803</u> | <u>-</u> |

13 Tangible assets

| | Computer software £ | Fixtures & fittings £ | Total £ |
|-----------------------|---------------------------|-----------------------------|----------------|
| <i>Cost</i> | | | |
| At 1 January 2021 | 323,415 | 362,922 | 686,337 |
| Additions | - | 346,291 | 346,291 |
| Disposals | - | (362,922) | (362,922) |
| At 31 December 2021 | <u>323,415</u> | <u>346,291</u> | <u>669,706</u> |
| <i>Depreciation</i> | | | |
| At 1 January 2021 | 323,415 | 338,353 | 661,768 |
| Charge for the year | - | 47,655 | 47,655 |
| Disposals | - | (362,922) | (363,922) |
| At 31 December 2021 | <u>323,415</u> | <u>23,086</u> | <u>346,501</u> |
| <i>Net book value</i> | | | |
| At 31 December 2021 | <u>-</u> | <u>323,205</u> | <u>323,205</u> |
| At 31 December 2020 | <u>-</u> | <u>24,569</u> | <u>24,569</u> |

14 Debtors

| | 2021 £ | 2020 £ |
|---|----------------|----------------|
| Trade debtors | 3,707 | 2,215 |
| Amounts owed by Liberal Democrat related entities | 153,546 | 285,151 |
| Other debtors | 227,096 | 35,797 |
| Prepayments and accrued income | 353,069 | 229,044 |
| | <u>737,418</u> | <u>552,207</u> |

15 Short term investments

| | 2021 £ | 2020 £ |
|-------------------------------------|----------------|----------------|
| Quoted shares and securities | | |
| Market value at 1 January 2021 | 501,617 | - |
| Additions | - | 501,617 |
| Increase in market value | 101,759 | - |
| | <u>603,376</u> | <u>501,617</u> |
| Market value at 31 December 2021 | 603,376 | 501,617 |
| | <u>501,617</u> | <u>501,617</u> |

At 31 December 2021 the following investments made up more than 5% of the portfolio:

Vanguard ESG Developed World AllCap Equity Index Fund 100%

16 Creditors: amounts falling due within one year

| | 2021 £ | 2020 £ |
|---|----------------|----------------|
| Amounts owed to Liberal Democrat related entities | 188,227 | 94,327 |
| Trade creditors | 40,227 | 36,573 |
| Other taxation and social security | 88,994 | 104,351 |
| Other creditors | 106,157 | 142,523 |
| Accruals and deferred income | 313,813 | 192,837 |
| Corporation tax | 201 | - |
| | <u>737,619</u> | <u>570,611</u> |

17 Provisions for liabilities

| | Regulatory matters and claims £ | Dilapidations £ | Total £ |
|---------------------|--|--------------------|------------|
| At 1 January 2021 | 257,000 | 95,200 | 352,200 |
| Utilised | - | - | - |
| Released | - | - | - |
| New provisions | - | 2,100 | 2,100 |
| At 31 December 2021 | 257,000 | 97,300 | 354,300 |

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 for dilapidations in respect of leasehold properties and is expected to reverse within 1 year.

18 Reconciliation of movements in reserves

| | General Fund £ | Reserve Fund £ | Total £ |
|----------------------|----------------------|----------------------|------------|
| At 1 January 2021 | 2,410,513 | 45,000 | 2,455,513 |
| Deficit for the year | (926,202) | - | (926,202) |
| At 31 December 2021 | 1,484,311 | 45,000 | 1,529,311 |

The General Fund represents accumulated annual surpluses and deficits, net of amounts set aside for the Reserve Fund.

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 financial statements (2020: £nil).

20 Lease commitments

As at 31 December 2021, the party had annual commitments under non-cancellable contracts as follows:

| | 2021 £ | 2020 £ | 2021 £ | 2020 £ |
|--------------------------------|---------------------|---------------------|---------------|---------------|
| | Land & Buildings | Land & Buildings | Other | Other |
| Operating leases which expire: | | | | |
| Within 1 year | - | 218,025 | 3,200 | 5,280 |
| Within 2 to 5 years | - | - | 10,400 | 5,280 |
| After 5 years | 132,054 | - | - | - |
| | <u>132,054</u> | <u>218,025</u> | <u>13,600</u> | <u>10,560</u> |

21 Net cash outflow from operating activities

| | 2021 £ | 2020 £ |
|--|------------------|--------------------|
| General Fund deficit before taxation | (905,399) | (1,177,001) |
| Depreciation | 47,655 | 36,295 |
| Increase in debtors | (185,211) | (83,339) |
| Increase/(decrease) in provisions | 2,100 | (168,000) |
| Increase/(decrease) in creditors due within one year | 146,452 | (2,068,494) |
| Increase in value of investments | (101,759) | - |
| Net cash outflow from operating deficit before tax | <u>(996,158)</u> | <u>(3,460,539)</u> |
| Investment income | (1,059) | (1,319) |
| Net cash outflow from operating activities | <u>(997,217)</u> | <u>(3,461,858)</u> |

22 Reconciliation of net cash outflow to movement in net funds

| | 2021 £ | 2020 £ |
|---|----------------|------------------|
| Decrease in cash & cash equivalents in the year | (1,342,700) | (4,262,156) |
| Decrease in loan | - | 300,000 |
| Opening net funds | 2,299,931 | 6,262,087 |
| Closing net funds | <u>957,231</u> | <u>2,299,931</u> |

23 Analysis of net funds/(debt)

| | At 1 January 2021 £ | Cash flow £ | At 31 December 2021 £ |
|--------------------------|------------------------------|--------------------|--------------------------------|
| Cash at bank and in hand | 2,299,931 | (1,342,700) | 957,231 |
| Net funds | <u>2,299,931</u> | <u>(1,342,700)</u> | <u>957,231</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 2022.

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 £95,658 (2020: £204,013). At 31 December 2021, contributions amounting to £17,199 (2020: £26,225) were payable to these funds and are included within other creditors in note 16.

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 £nil (2020: £nil).

The Federal Party is related to other bodies within the Liberal Democrats as set out in note 1 above. During the year it received membership and subscription fee levies from these bodies amounting to £1,574,472 (2020: £1,860,684) and recharged expenditure totalling £936,020 (2020: £1,111,687). Expenditure includes grants to Specified Associated Organisations and other party bodies totalling £606,709 (2020: £676,018).

The amount owed by related entities at 31 December 2021 was £153,546 (2020: £285,151) and the amount owed to related entities was £188,227 (2020: £94,327).

25 Related entity transactions (continued)

Significant balances owed to related entities are as follows:

| | |
|---|---------|
| The Liberal Democrats in England | £64,822 |
| Middlesborough & East Cleveland Liberal Democrats | £60,000 |
| North East Region | £20,000 |

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. The facility is unused. At the year-end the net cash position under the facility is £1,458,164 (2020: £3,208,896).

27 Membership

As at 31 December 2021 there were 73,544 (2020: 98,247) members of the Party.