



THE LIBERAL DEMOCRATS (THE FEDERAL PARTY)

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

FOR

THE LIBERAL DEMOCRATS
(THE FEDERAL PARTY)



THE LIBERAL DEMOCRATS (THE FEDERAL PARTY)

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FOR THE YEAR ENDED 31 DECEMBER 2023**

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THE LIBERAL DEMOCRATS (THE FEDERAL PARTY)

**PARTY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2023**

REGISTERED OFFICERS:

Sir E J Davey - Leader

M F Cox FCA - Registered Party Treasurer

Sarah Morris – Nominating Officer

Mike Dixon – Campaigns Officer

REGISTERED OFFICE:

1 Vincent Square,
London,
SW1P 2PN

AUDITORS:

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



**REPORT OF THE CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED 31 DECEMBER 2023**

The officers present their strategic report for the year ended 31 December 2023.

REVIEW OF POLITICAL ACTIVITIES

2023 was a year of political and operational success, building on the strong foundations, operational changes and governance reforms made over the previous few years.

Politically we continued to make good progress.

In May's local elections we had net gains of more than 400 seats in England and won control of 12 more councils. This was the fifth consecutive increase year on year - a feat we haven't achieved since before 2010.

In July we won the Somerton and Frome Westminster by-election. Our campaign built on the approach and teams we had established over the three by-elections in 2021 and 2022, and achieved another enormous swing of 28.4%.

As well as a substantial political gain, these two election results continued to show that the underlying changes to how we manage the party are working well.

The Autumn Conference in Bournemouth was a welcome and much needed opportunity for our volunteers, politicians, candidates and staff to come together and share experiences, ideas and success.

We ended the year once again in a strong position. We hit our budget targets, showing that we can manage our finances well even in a period of great uncertainty.

Our internal operational performance continues to perform well. We have completed large scale technology changes, and believe our systems are now more integrated and reliable. We find it easier than ever before to consistently listen to what voters are telling us and respond.

Staff satisfaction remains high, and we were able to increase pay by more than inflation, after several years of careful belt-tightening..

We go into the General Election with our heads held high and full of confidence.

ON BEHALF OF THE PARTY:



.....
Mike Dixon - Chief Executive Officer

Date:28 June 2024.....



THE LIBERAL DEMOCRATS (THE FEDERAL PARTY)

REPORT OF THE FINANCE & RESOURCES COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2023

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 408 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.

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 – Nick da Costa
Federal Finance & Resources – Michael F Cox
Federal Communications & Elections - Lisa Smart
Federal People Development: Mary Regnier-Wilson
Federal International Relations – David Chalmers
Federal Audit & Scrutiny Committee – David Radcliffe

Conference is the sovereign representative body of the Party with the power to determine its policies. In addition to setting the Party's policies, Conference also receives reports from the federal committees, Westminster parliamentary and European parliamentary parties. Membership of Conference is defined by article 8.10 of the constitution.

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

Between conferences the Federal Policy Committee (FPC) is responsible for researching, developing and overseeing the policy making process. Membership of the FPC is defined by article 10.2 of the constitution.

The Federal Board (FB) is responsible for directing, co-ordinating and overseeing the implementation of the strategy and the work of the Federal Party. Membership of the FB is defined by article 6.2 of the constitution.

The Federal Finance & Resources Committee (FFRC) is responsible for the planning and administration of the budget and finances of the Federal Party, overseeing the administration of the Federal Party and ensuring compliance of the Party at all levels with the 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

**REPORT OF THE FINANCE & RESOURCES COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2023**

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 during the year are:

David Radcliffe (Chair)
Rebecca Cave
Matthew Green
Elsie Gisslegard
Simon Marlow
Valerie Stainton
Mark Pack*
Ed Davey MP*
Tilly McAuliffe*
Michael F Cox*

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

Elected representatives

The Party has 14 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 2023 there were approximately 2,977 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: Olly Grender
Director of Campaigns: Dave McCobb
Chief Operating Officer: Trudy Church
Director of Operations: Sian Waddington
Financial Controller: Fern McLurg

Accounting units

The Party has 408 accounting units registered with the Electoral Commission.



THE LIBERAL DEMOCRATS (THE FEDERAL PARTY)

**REPORT OF THE FINANCE & RESOURCES COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2023**

PARTY OFFICERS

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

Leader:	Sir Ed Davey
Registered Treasurer:	Michael F Cox
Nominating officer:	Sarah Morris
Campaigns officer:	Mike Dixon

Office Holders

English Party Chair:	Alison Rouse
Convenor of the Scottish Party:	Jenni Lang
Chair of the Welsh	
National Executive Committee:	Paula Yates
Treasurer:	Tilly McAuliffe
Chief Executive:	Mike Dixon
Party President:	Dr Mark Pack

STATEMENT OF RESPONSIBILITIES OF THE REGISTERED PARTY TREASURER

The Registered Party Treasurer is responsible for preparing the Annual Report in accordance with applicable law and regulations.

Company law requires the Registered Party Treasurer to prepare financial statements for each financial year. Under that law the Registered Party Treasurer have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under law the Registered Party Treasurer must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the party will continue.

The Registered Party Treasurer are responsible for keeping adequate accounting records that are sufficient to show and explain the party's transactions and disclose with reasonable accuracy at any time the financial position of the party and enable them to ensure that the financial statements comply with legislation. The Treasurer is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Registered Party Treasurer is aware, there is no relevant audit information of which the company's auditors are unaware, and Registered Party Treasurer has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the party's auditors are aware of that information.



THE LIBERAL DEMOCRATS (THE FEDERAL PARTY)

**REPORT OF THE FINANCE & RESOURCES COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2023**

AUDITORS

The auditors, UHY Hacker Young LLP, will be proposed for re-appointment at the forthcoming Meeting of the Finance & Resources Committee.

ON BEHALF OF THE FINANCE AND RESOURCES COMMITTEE:



.....
M F Cox FCA - Registered Party Treasurer

Date: 28 June 2024.....

**REPORT OF THE INDEPENDENT AUDITORS 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 2023 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the notes to the cashflow 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 the Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" 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 2023 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.

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. Our evaluation of the Registered Treasurer's assessment of The Federal Party's ability to continue to adopt the going concern basis of accounting included 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.

**REPORT OF THE INDEPENDENT AUDITORS 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 5, 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.

Auditors' 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, 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 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.



THE LIBERAL DEMOCRATS (THE FEDERAL PARTY)

REPORT OF THE INDEPENDENT AUDITORS TO THE FEDERAL CONFERENCE OF THE LIBERAL DEMOCRATS (THE FEDERAL PARTY)

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 our 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

Date: 28 June 2024

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 £	£	2022 £ Restated	£ Restated
Turnover					
Donations		4,001,894		2,935,930	
Membership & Subscription fees		1,611,890		1,486,233	
Conference Income		842,904		42,450	
Notional Income		51,899		91,556	
Grants	3	473,425		510,695	
Interest & Investment Gains		23,836		(79,688)	
Recharges to Party bodies	4	1,057,869		952,837	
Other Income		<u>5,568</u>		<u>5,215</u>	
			8,069,285		5,945,227
Expenditure					
Rent		158,465		156,063	
Other establishment costs		461,415		347,581	
Wages	5	3,190,818		2,735,603	
Social security		326,433		287,353	
Pensions		75,042		65,186	
Other operating leases	6	3,250		6,943	
Staff related costs		355,714		258,893	
Fundraising expenditure		124,687		139,668	
Campaign expenditure		1,193,164		1,107,631	
Notional Expenditure		51,899		91,556	
IT costs		635,492		499,309	
Sundry expenses		1,346		65,472	
Grants to party bodies		589,139		580,804	
Services to members		31,420		40,399	
Auditors' remuneration	6	20,320		24,996	
Depreciation of tangible fixed assets	6	38,007		35,004	
Conference expenditure		<u>462,669</u>		<u>228,289</u>	
			7,719,280		6,670,751
			350,005		(725,524)
Finance costs					
Bank interest	7		<u>(72,905)</u>		<u>(53,656)</u>
NET SURPLUS / (DEFICIT) BEFORE TAX			277,100		(779,180)
Tax on surplus / (deficit)	8		<u>(5,842)</u>		<u>14,851</u>
NET SURPLUS / (DEFICIT) AFTER TAX			271,258		(764,329)

The 2022 income statement has been restated to reflect a prior year adjustment detailed in note 20.

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	2023 £	Restated 2022 £
SURPLUS / (DEFICIT) FOR THE YEAR		271,258	(764,329)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME / (EXPENDITURE) FOR THE YEAR		<u>271,258</u>	<u>(764,329)</u>

**BALANCE SHEET
31 DECEMBER 2023**

	Notes	£ 2023	£	£ 2022	£
				Restated	Restated
FIXED ASSETS					
Tangible assets	9		268,591		295,049
CURRENT ASSETS					
Debtors	10	1,157,803		599,826	
Investments	11	-		523,622	
Cash at bank		<u>318,065</u>		<u>361,542</u>	
		1,475,868		1,484,990	
CREDITORS					
Amounts falling due within one year	12	<u>669,060</u>		<u>911,944</u>	
NET CURRENT ASSETS			<u>806,808</u>		<u>573,046</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,075,399		868,095
PROVISIONS FOR LIABILITIES	13		<u>193,046</u>		<u>257,000</u>
NET ASSETS			<u>882,353</u>		<u>611,095</u>
RESERVES					
Reserve fund	14		45,000		45,000
General fund	14		732,823		732,823
Income and expenditure account	14		<u>104,530</u>		<u>(166,728)</u>
			<u>882,353</u>		<u>611,095</u>

The 2022 Balance Sheet has been restated to reflect a prior year adjustment detailed in note 20.

The financial statements were approved by the Federal Finance and Resources Committee and authorised for issue on 28 June 2024 and were signed on its behalf by:



Michael F Cox FCA – Registered Party Treasurer

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Income and expenditure account £	Reserve fund £	General fund £	Total reserves £
Balance at 1 January 2022 (as previously reported)	751,488	45,000	732,823	1,529,311
Prior year adjustment	(153,888)	-	-	(153,888)
Balance at 1 January 2022 (as restated)	597,600	45,000	732,823	1,375,423
Total comprehensive expenditure	<u>(764,329)</u>	<u>-</u>	<u>-</u>	<u>(764,329)</u>
Balance at 31 December 2022 (as restated)	<u>(166,728)</u>	<u>45,000</u>	<u>732,823</u>	<u>611,095</u>
Total comprehensive income/(expenditure) for 2023	<u>271,258</u>	<u>-</u>	<u>-</u>	<u>271,258</u>
Balance at 31 December 2023	<u>104,530</u>	<u>45,000</u>	<u>732,823</u>	<u>882,353</u>

The 2022 changes in equity has been restated to reflect a prior year adjustment detailed in note 20.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

		2023	Restated
		£	2022
	Notes		£
Cash flows from operating activities			
Cash expended from operations	1	(482,630)	(534,983)
Interest paid		(72,905)	(53,656)
Tax paid		(12)	(201)
Net cash from operating activities		(555,547)	(588,841)
Cash flows from investing activities			
Purchase of tangible fixed assets		(11,550)	(6,849)
Sale of investment assets		523,622	-
Net cash from investing activities		512,073	(6,849)
Decrease in cash and cash equivalents		(43,477)	(595,690)
Cash and cash equivalents at beginning of year	2	361,542	957,231
Cash and cash equivalents at end of year	2	318,065	361,542

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. RECONCILIATION OF SURPLUS / (DEFICIT) BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2023 £	2022 £ Restated
Surplus / (deficit) before taxation	277,100	(779,180)
Depreciation charges	38,007	35,004
Finance costs	<u>72,905</u>	<u>53,656</u>
	388,012	(690,520)
(Increase)/decrease in trade and other debtors	(557,976)	217,348
(Decrease)/increase in trade and other creditors	(248,712)	35,489
Decrease in provisions	<u>(63,954)</u>	<u>(97,300)</u>
Cash used in operations	<u>(482,630)</u>	<u>(534,983)</u>

The 2022 reconciliation has been restated to reflect a prior year adjustment detailed in note 20.

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2023

	31.12.23 £	1.1.23 £
Cash and cash equivalents	<u>318,065</u>	<u>361,542</u>

Year ended 31 December 2022

	31.12.22 £	1.1.22 £
Cash and cash equivalents	<u>361,542</u>	<u>957,231</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.23 £	Cash flow £	At 31.12.23 £
Net cash			
Cash at bank	<u>361,542</u>	<u>(43,477)</u>	<u>318,065</u>
	<u>361,542</u>	<u>(43,477)</u>	<u>318,065</u>
Liquid resources			
Current asset investments	<u>523,622</u>	<u>(523,622)</u>	<u>-</u>
	<u>523,622</u>	<u>(523,622)</u>	<u>-</u>
Total	<u>885,164</u>	<u>(567,099)</u>	<u>318,065</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. STATUTORY INFORMATION

The Liberal Democrats (The Federal Party) is unincorporated association and 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 408 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.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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.

Income

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.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 10 years
Computer equipment	- 5 years

Taxation

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

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable Surplus.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to surplus or deficit on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

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 2023.

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. ACCOUNTING POLICIES – continued

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 2024 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.

3. GRANTS RECEIVED

	2023 £	2022 £
Policy development grant	432,396	437,319
Joseph Rowntree Reform Trust grant	41,029	73,376
	<u>473,425</u>	<u>510,695</u>

4. RECHARGES TO PARTY BODIES

	2023 £	2022 £
Fixed cross charges to State Parties	870,659	788,998
Charges to other party bodies	187,210	163,839
	<u>1,057,869</u>	<u>952,837</u>

The fixed cross charge represents agreed recharges between the Federal Party and State Parties to cover the cost of activities that are constitutionally State Party responsibilities by operated by the Federal Party.

5. EMPLOYEES AND DIRECTORS

	2023 £	2022 £
Wages and salaries	3,190,818	Restated 2,735,603
Social security costs	326,433	287,353
Other pension costs	71,779	127,328
	<u>3,589,030</u>	<u>3,150,284</u>

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

	2023	2022
Campaign and Head Office staff	<u>95</u>	<u>84</u>

None of the Registered Officers under PPERA or Committee Chairs received any remuneration in those capacities in 2023 (2022 - £nil).

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2023**

6. OPERATING SURPLUS

The operating surplus is stated after charging:

	2023	2022
	£	£
Other operating leases	3,250	6,943
Depreciation - owned assets	38,007	35,004
Auditors' remuneration	<u>20,320</u>	<u>24,996</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2023	2022
	£	£
Bank interest and similar charges	<u>72,905</u>	<u>53,656</u>

8. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the deficit for the year was as follows:

	2023	2022
	£	£
Current tax:		
UK corporation tax	11,344	-
Prior year adjustment	-	-
Total current tax	11,344	-
Deferred tax	<u>(5,501)</u>	<u>(14,851)</u>
Tax on deficit	<u>5,842</u>	<u>(14,851)</u>

9. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2023	350,313	326,241	676,554
Additions	-	11,550	11,550
At 31 December 2023	<u>350,313</u>	<u>337,791</u>	<u>688,104</u>
DEPRECIATION			
At 1 January 2023	57,715	323,790	381,505
Charge for year	<u>35,702</u>	<u>2,305</u>	<u>38,007</u>
At 31 December 2023	<u>93,417</u>	<u>326,095</u>	<u>419,512</u>
NET BOOK VALUE			
At 31 December 2023	<u>256,896</u>	<u>11,696</u>	<u>268,591</u>
At 31 December 2022	<u>292,599</u>	<u>2,450</u>	<u>295,049</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2023**

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£	£
Trade debtors	26,653	5,556
Amounts owed by participating interests	288,076	252,750
VAT	16,253	-
Other debtors	264,764	234,733
Prepayments	255,252	106,787
Accrued income	306,805	-
	<u>1,157,803</u>	<u>599,826</u>

11. CURRENT ASSET INVESTMENTS

	2023	2022
	£	£
Listed investments	<u>-</u>	<u>523,622</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£	£
Trade creditors	50,630	Restated 56,224
Amounts owed to participating interests	182,010	246,207
Tax	11,330	5,501
Social security and other taxes	132,800	107,056
VAT	-	12,213
Other creditors	117,650	242,801
Accruals and deferred income	<u>174,640</u>	<u>241,941</u>
	<u>669,060</u>	<u>911,944</u>

The 2022 amounts have been restated to reflect a prior year adjustment detailed in note 20.

13. PROVISIONS FOR LIABILITIES

	2023	2022
	£	£
Regulatory matters and claims	<u>193,046</u>	<u>257,000</u>
	<u>193,046</u>	<u>257,000</u>

14. **RESERVES**

	Income and expenditure account £	Reserve fund £	General fund £	Totals £
At 1 January 2023	(166,728)	45,000	732,823	611,095
Surplus for the year	<u>271,258</u>			<u>271,258</u>
At 31 December 2023	<u>104,530</u>	<u>45,000</u>	<u>732,823</u>	<u>882,353</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2023**

15. LEASE COMMITMENTS

As at 31 December 2023, the party had annual commitments under non-cancellable contracts as follows:

	2023 £	2022 £	2023 £	2022 £
	Land & Buildings	Land & Buildings	Other	Other
Operating leases which expire:				
Within 1 year	132,054	132,054	3,200	3,200
Within 2 to 5 years	528,216	528,216	3,600	6,800
After 5 years	307,692	439,747	-	-
	<u>967,962</u>	<u>1,100,017</u>	<u>6,800</u>	<u>10,000</u>

16. EMPLOYEE BENEFIT OBLIGATIONS

The Party formerly sponsored the Liberal Headquarters 1975 Retirement Fund. 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.

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 £71,779 (2022 restated: £127,328). At 31 December 2023, contributions amounting to £91,360 (2022: £20,072) were payable to these funds.

17. RELATED PARTY 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 (2022: £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 £1,578,444 (2022: £1,452,220) and recharged expenditure totalling £1,053,174 (2022: £952,837). Expenditure includes grants to Specified Associated Organisations and other party bodies totalling £589,139 (2022: £580,804).

The amount owed by related entities at 31 December 2023 was £288,076 (2022: £252,750) and the amount owed to related entities was £182,010 (2022: £246,207).

18. 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 £677,563 (2022: £698,026).

19. MEMBERSHIP AND REGISTERED SUPPORTERS

As at 31 December 2023 there were 86,599 (2022: 97,493) members and registered supporters of the Party.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2023**

20. PRIOR YEAR ADJUSTMENT

In December 2023 the Federal Party resolved an employment issue relating to an employee on long term sick leave which has resulted in a payment to them and their pension scheme of £174,967 of which £164,427 has been recognised as a prior year adjustment due to its material nature. Of this £108,022 was paid in the year and the balance of £66,945 in January 2024.

The impact of the restatement on the income statement and the balance sheet has been:

	Original 2022 balance (£)	Restatement	Restated 2022 balance (£)
Income statement - deficit	(753,789)	(10,540)	(764,329)
Balance sheet – Income & expenditure account	(2,302)	(164,427)	(166,729)
Balance sheet - creditors	747,517	164,427	911,944