

Reports to Autumn Conference 2012

Brighton

Contents

Federal Conference Committee.....	2
Federal Executive.....	5
Federal Policy Committee.....	11
Federal Finance and Administration Committee.....	15
Federal Party Accounts.....	p(1)-(30) (inserted between 20 & 21)
The Liberal Democrats (Trustees) Ltd.....	21
Parliamentary Party (Commons).....	23
Parliamentary Party (Lords).....	27
Parliamentary Party (Europe).....	29
Federal Appeals Panel.....	31
Campaign for Gender Balance.....	34
Diversity Engagement Group.....	37

Federal Conference Committee

The Federal Conference Committee (FCC) is responsible for organising the two Federal conferences each year. This includes choosing the agenda from amongst the policy and business motions submitted by conference reps, local, regional and state parties, specified associated organisations and Federal committees, and also taking decisions on topics such as venues, registration rates and other administrative and organisational matters. It works within a budget set by the FFAC.

The FCC has 21 voting members: the Party President; the Chief Whip (or substitute); three state party reps; two reps from the FE and two from the FPC; and twelve members directly elected by conference reps. It elects its own chair (currently Andrew Wiseman), who must be one of the directly elected reps.

A tremendous amount of hard work goes into organising conference, both by the staff and volunteers. Much of this goes on behind the scenes unseen by those attending conference. I would like to express my thanks to everyone that is involved in the organisation of conference.

Amendments to Motions

As always, all motions on the agenda are still open to amendment. The deadline for submitting amendments – and also emergency motions and questions to reports – is 13.00 on 10 September. This deadline allows FCC to meet a week before Conference to select the amendments. We will then let you know what we've selected by Tuesday 18th September, four days before Conference, which is when *Conference Extra* publication will be posted online and reps will be alerted by email (copies will also be available at Conference).

Motions

We continue to provide a drafting advisory service and encourage everyone submitting a motion to make use of it. Those who have used it in the past have had a higher chance of having theirs accepted. Once again many of the motions on the agenda this time round went through the drafting service.

Do also use it for an emergency motion or an amendment. The deadline for the advisory service for amendments and emergency motions is 13.00, 28 August; drafts should be sent to motionsadvice@libdems.org.uk.

Agenda

FCC has tried to put together a good mix of debates, Q&A sessions, speeches, and presentations. We have increased the time for debate and reduced the number of set piece speeches, Q&As, and presentations.

As well as a Q&A on the mid-term review we have a number of policy papers from FPC, which include the one on Housing and another on Mutualisation. Motions we have selected for debate include economic growth, Lords reform, medically assisted dying, aviation, and mental health.

In recent conferences we have organised a number of Q&A sessions with Ministers and others. These are held outside the auditorium and are a useful way for our members to question our Ministers and others in a position of influence. There is always a balance between having lots of interesting sessions and trying not to have too much clashing with items in the auditorium. We would welcome your feedback on these sessions and whether you find them worthwhile.

Rally

We have a great line-up for the rally on Saturday evening. Some excellent speakers have been chosen. Make sure you come along and hear what some of our political priorities are.

Security at Conference

As a party of Government, we have had increased security arrangements imposed on us by the local Police and Home Office. FCC has spent a considerable amount of time negotiating security arrangements that are safe, proportionate to the threats, manageable, affordable, and that minimise the disruption to those attending conference as well as those who live and work in the venues and in vicinity of conference. This involves negotiations with various outside bodies and other internal party committees. There are difficult balances and results in a considerable amount of work on your behalf.

Each conference is looked at separately. Thus, the measures put in place for one conference may well be different from another conference. By way of example, this is the first time we have had the conference hotel within the 'secure area'. All the security measures put in place are based on a full assessment of the risks and threats by the police, Home Office, other agencies, and the Party. We have been fortunate: as anyone attending the Conservative or Labour conference will know, the security at their gatherings has been considerably higher and more intrusive.

As with other recent conferences you can expect it to take longer to get into the conference centre. Please ensure you leave yourself sufficient time to get through security before the start of a session you wish to attend.

The increased security includes x-ray machines for any bags or briefcases, and metal detectors. Whilst we cannot avoid the increased checks, we will do what we can to speed up the process. In particular, please think about what you bring into the 'secure area' - the less you bring, the quicker the process will be. Please see the relevant section in the Directory for the full procedures.

Future venues

The current size of the Conference and the scale of public interest it draws, make Party Conference an attractive event for many towns and cities to host, but also severely restricts the number of venues with adequate facilities. 2013 venues will be:

- Spring: Brighton 8 - 11 March 2013
- Autumn: Glasgow, 14 - 18 September 2013

Although we are returning to Brighton next spring, it will be a very different conference to this autumn. Following great feedback about The Sage Gateshead, we will be holding everything under one roof again. The Hilton Brighton Metropole hotel is a huge venue which will host our auditorium, fringe programme and will be our main conference hotel. This is something we have not done before and we believe it will lead to a fantastic atmosphere. The Oxford Suite in the Metropole is a space we have never used before and will provide us with a 1200 seat auditorium. With all our fringe meetings, auditorium and conference bar under one roof, getting around conference will never be easier.

I would urge you to think about booking your hotel room in the Metropole. We have negotiated a reasonable rate and staying in the hotel will further enhance your conference experience. Further details on how to book are on the Party website or go to the VisitBrighton stand in the exhibition hall at conference.

Access

The Conference Access Group, convened by Robert Adamson, continues to make Conference as accessible as possible. It has expanded its work to tackle obstacles facing those with a broader range of disabilities. If you are interested in the work of the Group, please feel free to contact Robert on robert@robertadamson.info .

The access levy, which provides a fund to assist those who are less able, has been directed at those in wheelchairs in the last few years. When we reviewed the types of access issues our members face at conference, we decided to broaden how the levy is used to also support those with hearing impairments. We are looking into how we can make hearing loops more affordable for our fringe bookers to widen the number of fringe meetings available to those with hearing impairments. We will keep these changes under review to ensure that the fund provides a real benefit to those with a range of disabilities

Stewards

As always, Conference can only take place due to the massive contribution and efforts of the volunteer stewards' team, who look after the exhibition, fringe, information desk, stage and auditorium, and ensure that we all get the most out of Conference. Thanks particularly go to Mike Ross, who is Acting Chief Steward for this conference, and all his colleagues in the Stewards Team.

Federal Conference Committee

FCC members are here to help you make the most of Conference – do feel free to ask us any questions you may have relating to the agenda and how to speak in debates. You can identify us by the larger badges we wear, with 'FCC' prominently displayed; there are also pictures of us (although looking at some of the photos it may be difficult to see the true likeness!) on the inside front page of the Agenda.

FCC members are also assigned to the state and English regional parties, and SAOs, to liaise with them during the year, provide advice and assistance on submitting motions or otherwise getting involved in Conference, and appear at particular conferences to answer your questions. Don't hesitate to get in touch with the relevant FCC member if you need any advice.

Thanks

The vast bulk of the hard work of organising Conference throughout the year falls on the professional staff in Conference Office at Liberal Democrat Headquarters: our Conference Manager Lucy Billingsley and her team Emma Price, Sian Jenkins and Michaela Hayward-Lee. The team have also been supported by Beth Noyes and Dorothy Heydecker this year.

I would also like to express my grateful thanks to all the others who make Conference possible: to all my colleagues on the Conference Committee; to Tim Gordon, the Party's Chief Executive, and Tim Snowball the Chief of Staff at HQ; to the Policy Projects Team, led by Christian Moon, who process the motions and prepare much of the agenda material; and of course to the stewards' team.

I look forward to seeing you in Brighton.

Andrew Wiseman

Chair, Federal Conference Committee

July 2012

Federal Executive

The Federal Executive is responsible for directing, co-ordinating and implementing the work of the Federal Party, including overall strategy, campaigning, organisation, and staffing. The Federal Finance and Administration Committee (see below) and the Campaigns and Communications Committee both report to the FE.

The FE has 29 voting members: the Party President (Chair), three Vice-Presidents, the Leader, two additional MPs, one peer, one MEP, two councillors, three State Party reps and fifteen members elected directly by Conference Reps.

Introduction

This is my fourth report as Chair of the Federal Executive – and the final report from 2011’s Federal Executive. Our work over the past two years has been focused on representing you at the highest levels – with our team in the Cabinet Office and our members and ministers in Parliament. There is no doubt that being in government has given our jobs a different meaning – we spend our political updates speaking to the Deputy Prime Minister or the Deputy Chief Whip – we are given the opportunity to input ideas and opinions into government projects, and to speak to ministers who have genuine power over what comes out in law.

Although this makes our jobs more difficult, it’s hard to say that it hasn’t made them more diverse, interesting, and influential. FE has always been a committee that has worked with our leadership to set a strategic course. Now, we have to be the committee that also listens hard to our members and feeds back to our ministers. We have to be the Party’s voice to power.

That isn’t something that Lib Dems have ever shied away from – but it will be a difficult job to do for the committees elected this year and in 2014. After all, there’s a long way to go to the general election in 2015, but it’s not long away.

You’ll hear from me at Conference about what I think we need to do as a party in the run up to 2015. And this is just as relevant for committees and office holders as it is for members and staff. We need to be unafraid about telling people what we’ve been doing and why it’s good. We need to make sure we go out on doorsteps and tell people why they should be Liberal Democrats too. We need to support our leadership as they fight for Lib Dem values in government, and tell them when we think they’re mistaken.

It’s not an easy job, but if it was, it wouldn’t be a very Lib Dem job at all. So I am proud of the work we’ve been doing in FE to stand up for the Party and work with our colleagues in government – and if I had one wish for the next two years it would be this, for all of us: **the same, but more**. The same hard work and the same enthusiasm for getting involved. But more self-belief; more volume when we say that what we’re doing is right; more time on the doorsteps getting people to vote for us at the polls.

So I would like to thank all FE members for the work they have done with me over the past two years. And I want to encourage anyone who would like to get involved in the Party to consider standing for election this autumn and giving us all a new perspective. We have a lot of work to do over the next two and half years – and that all starts here and now.

Campaigns and Communications

May Elections 2012

Since our last report to Conference in March, the Campaigns and Communications Committee (a standing sub-committee of FE) has been working hard to drive and support our local elections campaigns – most

recently in May this year. They have kept FE regularly updated with information both in the run up to the elections, and with the work done after polling day to analyse results.

For many of us, it was disappointing not to do as well as we may have hoped. We heard in reports what many of us had felt on the doorstep – that challenges were greatest principally in areas where the main opponent was Labour, and in Scotland’s case, the SNP. Reassuringly, focused activity in our held parliamentary seats, and in some other areas (notably Hull) did generate significantly better than average results, including in some Labour areas. Overall, our vote share was 16%, but within our held seats facing Conservatives, our vote share averaged 47%, and against Labour, 38%. There was a modest net gain overall of 11 seats against Conservatives.

Moving on to specific areas, in Scotland, our campaigners were met with a comparably strong SNP, which unfortunately resulted in a number of additional losses. London suffered from an election which in media terms saw the Boris and Ken battle dominate making it tough to get a foothold. It is a testament to the hard work of the entire London team that we returned two list candidates to the GLA. Brian Paddick and Caroline Pidgeon, as well as the GLA candidate team, ran a hugely busy and well-organised campaign that engaged campaigners across London. In London, as elsewhere, results were generally stronger in areas where the Conservatives were the main opponent, and much stronger than average, as would be expected, in the relatively limited areas with a higher Liberal Democrat presence.

As we reported in March, the Elections & Skills Department, ALDC, and state parties played a big role in supporting campaigning efforts across the country. Both Hilary Stephenson (Director of Elections and Skills) and Anders Hanson (ALDC) did a phenomenal amount of work to support campaigns across the country. Financial support through G8 was supplied to wards who could demonstrate a clear plan on application, and federal resources – both financial and personnel – was applied in a small number of key areas. We heard that this support had a visible effect on results in these areas – for instance across council seats in Sheffield Hallam where we held all seats across the constituency, with over 50% of the vote share. Improved strides were also made in moving staff and volunteers, with particular recognition of the West Country’s support in Cardiff.

Overall, we know that although these results were not what was hoped for in a good number of areas, this is not reflective of the work that has gone into campaigning. We would like to thank all of you who gave so much of your time and energy towards campaigning in May; particularly candidates who made the decision to stand at a difficult time and put so much effort into getting the best possible result; and those who despite a hard-fought campaign didn’t manage to retain their seats.

It was noted that there were some common learning points from 2012 campaigns, especially from more successful areas. These are now clearly articulated and work is under way to ensure that they are used more widely in future elections. These will form the focus of training and central support activity for the coming months. In addition, CCC will be working closely with the Elections and Skills Department, ALDC, the LGA, and the English Party to integrate campaigning and ensure that resources and support are fully co-ordinated.

Preparations for Future Elections

CCC has also reported to the FE on the work done towards the organisation of elections up to 2015.

It has been agreed that support – personnel and otherwise – for the forthcoming period will be focused on the November Police & Crime Commissioner and Bristol mayoral elections, along with the three known by-elections – Cardiff South & Penarth, Manchester Central, and Corby. This will be in combination with the continued support for held and target parliamentary seats and preparations for European elections in 2014.

As of the end of July, PCC selections are in process and it looks likely that 20-30 of 41 areas will contest. Just last week, Jon Rogers was selected as our candidate for Bristol Mayor, which will be fought on the same day. Two by-election candidates are already in place, giving a long run in to these elections.

A support plan based on available resources and national, regional and local objectives is in place. Planning is based around integrating these immediate battles with the 2013 county and unitary elections and looking forward to 2014 and 2015 target areas. Integration of training, targeted financial and personnel support provided by the regions, Elections & Skills, ALDC, and the LGA has been a priority and work on this basis will continue.

Planning for the 2014 European Elections has already started with two major team meetings of MEPs and staff having taken place. The selection timetable is under way and work on messaging and support planning has started.

Connect

FE has been receiving periodic updates on the strategic aspects of the roll-out of our new campaign management system, Connect, since the project was begun. In line with expectations, Connect should make a major difference to our campaigning capacity in the run up to 2015. At the time of our last meeting, more than half of all local parties have registered to use Connect – and we now have several thousand activists using it to participate in campaigns.

We have been informed that these users are being supported at all levels, including with a record innovative programme of training making use of online training, virtual classrooms, and a Facebook group – as well as more traditional methods. This programme received good reviews, though there were concerns that the reach of this training did not cover the very large number of first time users encountered during the final weeks of the campaign.

Since our last report, Connect has gone through its first election campaign and generally performed well. The users' survey carried out immediately after the campaign showed that most users found it easy or very easy to use. The success of the virtual phonebanking aspect of Connect was also shared with us – especially in terms of members giving remote support to campaigns.

We have been made aware, however, of teething difficulties encountered in the first big test of the Connect system. These reported issues have all been recorded – several have already been addressed and the remainder are in the programme for the coming months. As well as the large programme of online training available, there will also be training sessions at conference. We are also increasing online, telephone, and direct support, particularly for key electoral areas.

Internal Communications

Since our last report, we have had an opportunity to get to know our new Chief Executive, Tim Gordon. In his first meeting with us, he asked for our opinions on what LDHQ needed to do better – and we gave him a list that varied from extending fundraising opportunities to improving morale. But by far the most related message was that of communications – making sure that the Party as a whole knows what is going on in government, in our headquarters, and in our elected committees – but also making sure that we in these places are able to hear from as wide a range of members as possible.

These priorities have directly led to a number of advances in LDHQ – many of which we think are a huge step forward in communicating with our membership. They include webinars with leading Party members and Parliamentarians, providing weekly updates on doorstep lines for activists to use, and streamlining our e-mail lists to ensure we're not telling you the same thing more than once. Perhaps most interestingly, there has also

recently been the opportunity for all members to feed into government work on jobs and employment after an invitation for input from Jo Swinson. Work on these responses was fed back to FE and other Party Committees, in addition to being used by our team in government.

In line with our commitment at the March conference, we have also been producing reports for the members' website and the members' forum on Liberal Democrat Voice of our FE meetings. We hope that these have been keeping you up to date with our work – and we do read the comments, so if you have an opinion, let us know!

Strategic Discussions

Since our last report, we have also had a number of discussions on party strategy about important topics, with input from Nick Clegg, Alistair Carmichael, and William Wallace. As well as keeping FE members up to date with our Party's work in government, these discussions also play the important role of helping to let our government colleagues know the Party's opinion on specific issues.

From an FE perspective, these strategic discussions also help us to gauge strategic positioning on certain issues in the run up to 2015 – something that we look forward to in the next couple of years.

SAO/AO Review Group

In part of an ongoing project with FFAC, we have been looking at the operation of (Specified) Associated Organisations (S)AOs within the Party – how they work, where they work well, how they communicate with other Party bodies, and what we can do to support them. We realise that the FE hasn't necessarily done everything it could do to support the operation of these groups, and that is something we want to change. So in our March meeting, we made a number of decisions regarding this – the most important of which was to set up a standing sub-group of FE called the SAO Review Group, which will undertake FE's responsibilities for (S)AOs.

This group is now chaired by Gordon Lishman, with 4 members from FE and 1 from FFAC, and we have agreed that its remit should be:

1. To encourage, advise and assist SAO/AOs in their work and particularly in engaging, involving and representing their members;
2. To improve and maintain working links between SAOs/AOs and the Federal Party, and develop strategy to devise and extend mutually beneficial schemes;
3. To review thoroughly on the basis of published criteria, once in the lifetime of each Parliament, the Associated Organisations (AOs) and Specified Associated Organisations (SAOs) which have been approved by the relevant processes of the Party;
4. To satisfy themselves annually that all SAOs and AOs continue to meet the basic criteria for their status as SAOs or AOs, including compliance with the PPERA;
5. To consider new applications for SAO/AO status, to work with applicants to identify and remedy any concerns and to make recommendations to the FE on approval;
6. To monitor SAO/AOs and to ensure that any conditions attached to their status are met within the specified time; and

7. To consider urgently any matters drawn to the Group's attention which affect the operation of any SAO or AO or which could affect the good name of that body or the wider Party; and to make recommendations.

The group will be holding a forum at Conference where they hope to hear from all existing (S)AOs as to what they think they're doing well, and where they might like some more support, as well as from groups thinking about becoming (S)AOs who may have questions about the process, benefits, or the support available. One of our big aims is to improve communications between the Federal Party and S(AOs), so if you are a member of the executive, or even an active member of one of these groups, we hope to see you at Conference.

Conference Accreditation

In our May meeting, we were presented a note from the Federal Finance and Administration Committee (FFAC), who had been asked to consider the issue of Conference Accreditation by the Federal Conference Committee (FCC) owing to potential financial implications. It was made clear to us that in line with the Federal Appeal Panel's draft ruling on relative powers of Federal Committees, the Federal Executive, through the FFAC, were responsible for the financial aspects of conference.

Given the in-depth discussion of the topic and its financial aspects at a special FFAC meeting, FE noted that conference accreditation has been approved under delegated authority.

In light of concerns raised by SAOs, we also put in place an exemption system that could be used, by choice, by those with identity related concerns.

Constitutional Amendments

Several groups have been working very hard behind the scenes since Spring Conference to look at how Committee (and other) Election rules potentially interact with the Equality Act 2010. In July, we were informed that given the legal situation, we had no option but to propose Constitutional Amendments removing the 'gender balance' rules from our Constitution.

The Committee made it very clear that this was not something that the party supported – and that we would be lobbying strongly for the removal of this unintended consequence of the legislation. However, at the present time we do not have an option other than to remove this requirement – which is why you will be faced with a vote on the relevant constitutional amendments at Conference. We urge you to approve these amendments so that we can continue to operate in an effective, and law-abiding, way.

This will mean that, among other things, there will no longer be a gender requirement for Federal Committees to be made up of 1/3rd men and 1/3rd women. It is worth noting that this has not needed to be invoked at a Federal level for the last 10 years as there have been sufficient numbers of successful male and female candidates. However, it is imperative to ensure that women are encouraged and supported to stand for Party committees to ensure this continues.

Party Elections 2012

As mentioned earlier, we will, by conference, be into the bi-annual period of party elections. In July, we agreed the following timetable for Party Elections:

Nomination papers available from	-	1 st September 2012
Close of Nominations	-	29 th September 2012
Freezing of Membership Data	-	30 th September 2012 (Presidential Elections only)
Dispatch of ballot papers	-	15 th October 2012
Close of ballot	-	7 th November 2012
Count	-	10 th November 2012

We also had a detailed discussion about elections to the Interim Peers Panel. We were due this year, at the same time as committee and Presidential elections, to elect a new round of people to sit on the Interim Peers Panel. The Committee came to the decision that given the current passage through Parliament of legislation for an elected House of Lords, we would postpone this year's elections and extend the panels elected in 2008 and 2010. Given recent developments, this matter will be revisited by FE in the near future.

Party Elections are one of the best ways for party members to get involved in choosing those that have an active role in determining what we do with our Party. If you are an elected Conference Representative, you will be able to vote for members of Federal Executive, Federal Policy Committee, Federal Conference Committee, and the International Relations Committee. If there is a contested Presidential election, **all** Party members will be able to cast a ballot. We urge you to use your vote – either in paper or electronically – both are available – because one of the best things about being a Liberal Democrat is having a genuine say in the way your Party is run. Now's your chance!

And finally, I personally want to thank all those members who have pledged me ten new members after a further *Meeting the Challenge* campaign in July. I was pleased to see so many of you taking part in my webinar and asking (very difficult!) questions about membership – and I'm hoping to spend some time in Brighton with those of you who have been doing the most. Don't forget – we may have a lot to do, but membership is where it all starts.

Tim Farron
Party President and Chair of the Federal Executive
August 2012

Federal Policy Committee

The Federal Policy Committee is responsible for researching and developing policy and overseeing the Federal Party's policy-making process. This includes producing policy papers for debate at conference, and drawing up (in consultation with the relevant parliamentary party) the Federal election manifestos for Westminster and European elections.

The FPC has 29 voting members: the Party Leader, four other MPs, the Party President, one peer, one MEP, three councillors, three state party reps and fifteen members directly elected by conference reps. It must be chaired by one of the five MP members and is currently chaired by Norman Lamb MP.

Change to Chair of FPC

Since the last written report to Conference, there has been a change in the Chair of FPC. Norman Lamb MP stood down as chair on becoming a Minister in the Department of Business, Innovation and Skills. The FPC would like to record its thanks to Norman for his work as Chair over the previous two years, particularly in leading the Facing the Future project.

In addition, since the last FPC Report, Bob Maclennan has stepped down as Lords Rep on the FPC and been replaced by Jonathan Marks, and Phil Bennion has resigned as an FPC member on becoming an MEP and has been replaced by Charles Anglin.

Policy Development

Since the Newcastle-Gateshead Conference, four policy papers on Housing; Sustainable Prosperity & Jobs; Mutuels, Employee Ownership & Workplace Democracy; and Inequality have been produced and are presented for debate at Brighton.

The FPC is very grateful for the contribution made by the Chairs and members of working groups who voluntarily give a great deal of time to assist the Party's policy development process.

In addition, the FPC will also be proposing a motion on economic growth in response to the recent major Government announcements on infrastructure investment and the Funding for Lending scheme. This will allow conference to have a full debate on policies to kick-start economic growth.

Facing the Future Programme

The Facing the Future review group produced a report which was adopted at the Birmingham Conference in 2011.

Facing the Future maps out a programme for policy development for the rest of this Parliament to ensure that we are in a position to present a distinctive, relevant and forward-looking manifesto at the next General Election. This programme will be taken forward by FPC working in co-operation with the Parliamentary Party Committees through both full policy papers and stand-alone motions to conference.

The table below sets out the latest forward schedule of policy development work in the light of Facing the Future. This is obviously subject to further decisions by conference and is more likely to change in the later part of the Parliament.

In accordance with this schedule, the FPC has recently set up new working groups on: Balanced Working Life; Zero Carbon Britain; Taxation; Political Reform; Europe; Defence; and Skills & Post-16 Education. The first three of these will be holding consultation sessions at the Brighton Conference.

The FPC has also recently decided to start work on a review of our approach to welfare policies. As a first step, we will be asking the DWP Parliamentary Party Committee to present us with some thinking on overall principles for welfare reform.

Conference	<u>Consultation Papers</u>	Policy Papers
Autumn 2012	Balanced Working Life. Transition to a Zero Carbon Britain	Housing. Inequality. Sustainable Sources of Growth and Jobs. Mutualisation, Employee Ownership and Participation.
Spring 2013	Taxation. Defence. Political Reform. Skills and Post-16 Education. Europe.	Balanced Working Life. Transition to a Zero Carbon Britain
Autumn 2013	Immigration & Identity. Public Services.	Taxation. Defence. Skills and Post-16 Education. Europe
Spring 2014	Gender Equality. Crime and Justice. Challenges of an Ageing Population.	Immigration & Identity. Public Services. European Pre Manifesto.
Autumn 2014		Gender Equality. Crime and Justice. Challenges of an Ageing Population.

Coalition – Two Years In

The Coalition Government has stated its intention to have a Mid Term Review of its programme, which will be published in Autumn 2012. However, this will not be a general re-opening of the Coalition Programme for Government. Instead, it will essentially be a progress assessment exercise to identify which of the goals set out in the original Coalition Programme the Government will have met through policies already announced, where the gaps still lie and where it needs to do more to deliver. The process is about looking to see what should be a priority during the rest of the Parliament; not about starting over again from scratch.

Given the nature of this exercise which is not about developing new policies, the FPC and FCC have decided that it is not suitable for a formal debate at conference. Instead, Danny Alexander MP will be leading a Q & A session at the Brighton Conference to present the key issues for the Government review and to give conference representatives an opportunity to raise questions and concerns.

FPC Links

To encourage policy debate across the party we have FPC representatives taking responsibility for promoting policy debate within each of the regions of England and to attend regional conferences where appropriate.

<u>Region</u>	
Devon & Cornwall /Western Counties	Julie Smith
East of England	Geoff Payne
East Midlands	Lucy Care
London	Dinti Batstone/Jeremy Hargreaves
Northern	Linda Jack/Duncan Brack
North West	Stan Collins
South Central	Sandra Gidley/Gareth Epps
South East	To be confirmed
West Midlands	To be confirmed
Yorkshire & the Humber	Sal Brinton

The FPC has also appointed representatives to Party SAOs:

<u>SAO</u>	
ALDES	Lucy Care
ALDC	Chris White
DELGA	Evan Harris
WLD	Louise Bloom
Liberal Youth	Gareth Epps
PCA	Julie Smith
Liberal Democrat Lawyers	Geoff Payne
EMLD	Linda Jack
LDDA	Sal Brinton

The FPC also has representatives on the Parliamentary Party Committees:

<u>Committee</u>	
DECC and Defra	Andrew Wiseman/Charles Anglin
International Affairs	Peter Price/Julie Smith
Education	Linda Jack/Dinti Batstone
Political and Constitutional Reform	Dinti Batstone/Evan Harris
BIS	Julie Smith/Gareth Epps
Treasury	David Boyle/Gareth Epps
CLG	Evan Harris/Stan Collins
Health	Jeremy Hargreaves/Sandra Gidley

Transport	Lucy Care
DWP	Stan Collins
Home Affairs, Justice and Equalities	Geoff Payne/Linda Jack
DCOMS	Vacancy
Scotland	John Edward
Wales	Peter Price
Northern Ireland	Vacancy

Member Engagement

In addition to the formal consultative mechanisms of the policy process, the FPC is keen to do more to help party members to have an input to policy discussions. In June, I initiated an all-member e-mail consultation on economic policy priorities which received over 500 responses. This input was invaluable and helped the FPC to represent the party's priorities to Danny Alexander and Vince Cable when they came to the FPC on 20th June. We will be looking to do more such consultations in future.

Policy Staffing

The Policy Unit consists of Christian Moon (Head of Policy), Adam Pritchard (Senior Policy Manager), Bess Mayhew (Senior Policy Manager), Rory Belcher (Direct Communications Manager) and Ed Simpson (Direct Communications and Research Officer). We have also benefitted from the support of a secondee from PWC, Holly Hale-Sutton, and a secondee from KPMG, Andrew Johnson. Volunteers since the Autumn Conference have included: Jevon Whitby; Morgan Griffith-David; Dorothea Baltruks; and Dominic Leigh; the FPC is grateful for the hard work of all staff, both paid and voluntary.

Jo Swinson MP

Chair of Federal Policy Committee

August 2012

Federal Finance Administration Committee

The FFAC committee, elected in January 2011 for a two year term, continues to monitor and report regularly to the Federal Executive on the Administration of the Party and its Finances (construed narrowly as the monies raised and spent by the Federal Party). As previously agreed the Committee now meets jointly with the Management Board of POLD (the Parliamentary Office of the Liberal Democrats). A subgroup meets on a monthly basis to review the management accounts and cashflow.

2011 financial results

The report to last year's autumn conference highlighted the cost to POLD of restructuring its operations following the 2010 general election and the consequent loss of Short and Cranborne monies on entering government. These costs of £500,000 had to be funded by the Federal Party creating a substantial inter-party debtor in its accounts. During 2011 it became clear that POLD would be unable to repay this debt in the foreseeable future and, on the advice of the Party's auditors, it was agreed to waive the debt.

As a result the 2011 annual accounts of the Federal Party show a deficit for the year of £300,000. Without the waiver of the debt the Federal Party would have produced a surplus in line with budget of over £200,000.

The other side of this adjustment has been an improvement in the balance sheet of POLD which had net assets as at the end of 2011 of £6,000.

Allowing for the deficit of £92,000 on the closed final salary pension scheme, resulting from changes to actuarial assumptions, the Federal Party ended 2011 with net liabilities of £741,000.

The net combined liabilities of the Federal Party and POLD taken together reduced from £880,000 to £735,000.

As well as the financial effect of the office move reported to Spring Conference, a subsequent exercise removed from fixed assets those items no longer in use such as fit out costs at Cowley Street, fixtures and fittings, and old equipment. The majority of this was fully depreciated already and therefore the effect on the bottom line was not significant.

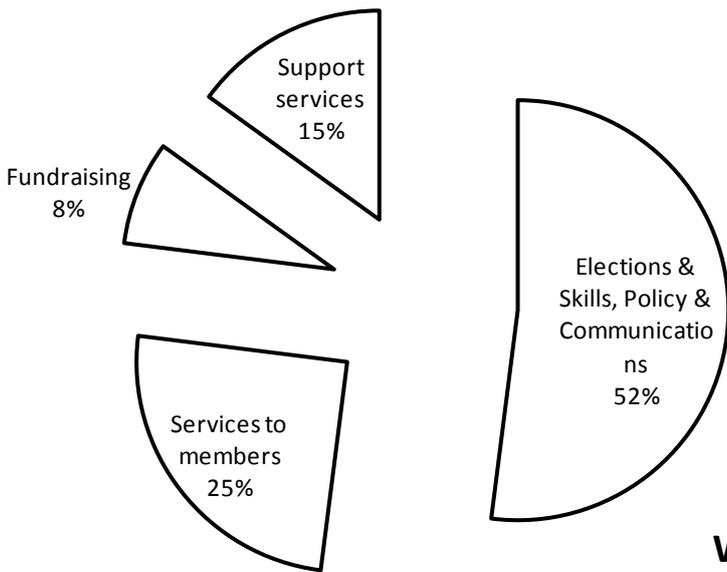
Income

Unsurprisingly total income for 2011 was much lower than in the general election year of 2010 when the Party received significant donations towards the general election costs. Recharges to party bodies fell due to lower cross charges to POLD reflecting its lower level of activity. Other income also reduced as 2010 had included the receipt of £290,000 from the 1924 pension fund. The remaining sources of income were broadly consistent with 2010.

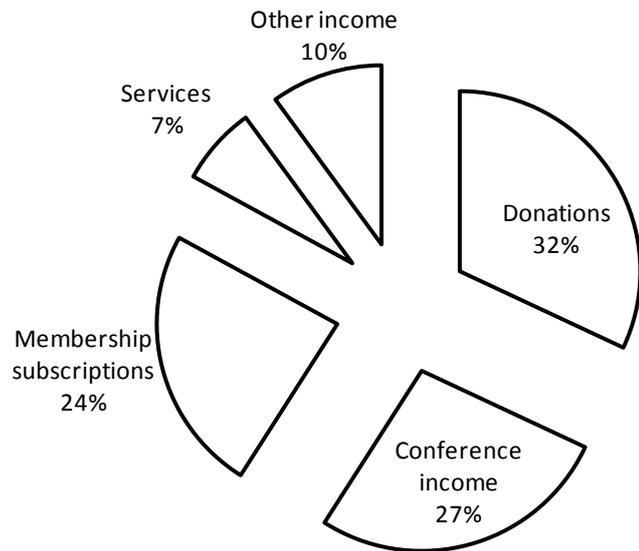
Expenditure

The reduction in campaign expenditure was partly offset by the waiver of the POLD debtor balance, higher conference security costs and the costs of the office move. The write back of the dilapidations provision for the Cowley Street premises (£115,000) was more than offset by the provision for the payment of the surrender premium (£225,000), though rent charges will be lower in 2012-16 due to the rent free period on the new LDHQ premises.

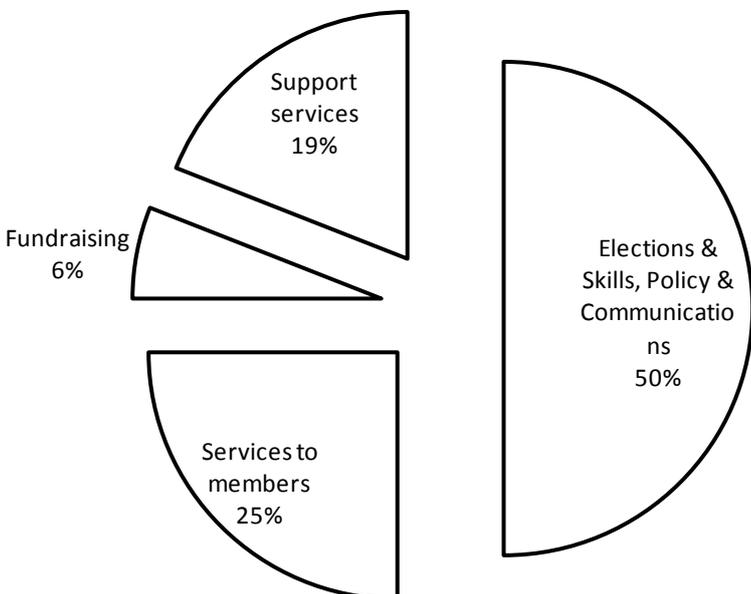
Where your money goes



Where our money comes from



Who does what



Cash

During the year there was a net cash inflow of £146,000. This was largely the result of an increase in creditors. As the deficit for the year was the result of the waiver of the inter-party debtor it did not negatively impact on the cash position.

Interim 2012 Financial Review

For the first few months of 2012 there was a shortfall in fundraising income. This source of income is, by its nature, difficult to accurately predict month by month, but it is expected that most of the shortfall will be made up in the second half of the year.

Both staff and non-staff costs are running significantly below budget. Staff costs are below budget due to a number of posts being kept vacant and this will extend into the second half of the year. Management have identified substantial savings to non-staff costs in all areas.

The net result should be that the Party remains on target to achieve the budgeted surplus of £200,000.

2013 Budget

The Constitution requires the FFAC to propose an outline budget for the next year for approval by Conference. This outline budget therefore has to be prepared several months before the FFAC or departmental heads have started serious work on the following year's budget, and at a stage when we have only five months of current year income and expenditure figures.

As for 2012, the 2013 budget will be a combined one for the Federal Party and POLD.

The objective for 2013 will be a further surplus of at least £200,000 to reduce the accumulated deficit. The preliminary outline budget shows a surplus of £127,000. As detailed work on the budget takes place in the autumn, in consultation with the relevant party bodies, a combination of additional income and expenditure savings will be identified in order to meet the target surplus. The final budget will be agreed by the Federal Executive in December and reported to the spring 2013 Conference.

PPERA Compliance

The number of accounting units filing accounts with the Electoral Commission as a result of their gross income or expenditure exceeding the £25,000 threshold was 117: (81 sets of accounts in the over £25,000 and 5 in the £250,000 plus band).

The new powers of the Electoral Commission in connection with issues relating to accounts, donations, and election expenses are now in force, which resulted in two local parties being fined £500 and £1000 respectively for late reporting of their 2009 and 2010 accounts.

The declarations of donations made, statement of accounts submitted and campaign expenditure made by the Party can be viewed on the Electoral Commission's website at <https://pefonline.electoralcommission.org.uk/search/searchintro.aspx>

The Electoral Commission's records show that the Party has received more personal donations than the Labour Party, both in terms of numbers and amounts, in six of the last seven reported quarters.

Membership and Development

There are encouraging signs of increased membership recruitment over the first half of the year with particularly good performances by the local parties in Ludlow, Hull & Hessle, Chesterfield and Haringey.

There are two clear lessons from our recruitment experience so far this year. The first is that whilst 60% of our new members join via the internet, the local parties with the most new members are all ones with high doorstep recruitment rates. So whilst the Internet has grown in importance, local activity is still vital to membership growth. The second is that the number of people joining the Liberal Democrats over the internet demonstrates that there is potential for greater membership growth. We all need to get out on the doorsteps talking to supporters and asking them to join us in fighting for a fairer, greener and more Liberal country.

Equally important is working on membership renewals so that we reduce the number of members lapsing. All of our MPs have had a summer project of contacting lapsed members and every local party can do the same. Getting members switched to paying by direct debit helps this task dramatically. Local Parties have an additional incentive to persuade members to switch to direct debit as they receive 100% of the first, annual, direct debit subscription.

This is a task that we all need to get involved in as, overall, we still need to do better on both recruitment and retention in order to build a strong enough organisation for the electoral tests we face over the next three years.

Conference Accreditation

In view of its financial implications for the party, the Federal Conference Committee in May referred to FFAC for decision the formal police and security advice received recommending a system of accreditation for this autumn's Conference.

Following a thorough discussion of the issues involved, eleven of twelve committee members present voted to support accreditation - but with strong and appropriate safeguards. Five of those unable to be present also confirmed their support by email. The decision made was that:

“That in view of the significant and substantial financial risks to the Party in going against the recommendation of the police and security services for accreditation, the Party should accept a system of accreditation, provided that the final decision as to the attendance of any Party member rests with the Party (represented by the Federal Conference Chair in consultation with the Party President and the Chief Executive), subject to the right of appeal to the Federal Appeals Panel and the provision for a local party to supply a substitute voting representative .”

The committee's decision was reported to and accepted by the Federal Executive at its meeting on May 21st.

The committee was then further asked to approve the specific safeguards to be implemented in the accreditation and registration system and in particular to authorise a process for an “opt-out exemption” from the standard accreditation system to address the particular concerns of those who have previously lived under another identity. After approval by FFAC, this was also supported by the Federal Executive, and undertaken by HQ staff and the Party President.

The Liberal Democrats (Trustees) Limited

The accounts of the Liberal Democrats (Trustees) Limited are included within the reports to conference and the FFAC would like to thank the Trustees, chaired by Sir Ian Wrigglesworth until February and now by

Baroness Susan Kramer, for their advice and assistance throughout the year as Compliance and Audit committee for the party.

Party Business

Conference is asked to approve the outline budget for 2013, adopt the audited accounts for 2011 and to reappoint the Party's auditors, Mazars LLP.

Conference is further requested to confirm that

- 1) The Party renew its overdraft facility for £1 million with the Royal Bank of Scotland
- 2) The President and the Chair of the Federal Finance & Administration Committee for the time being, on behalf of the Party and with the specific prior agreement of the FFAC, may agree the terms of the overdraft with the Royal Bank of Scotland, and that such delegation will also extend to the operation of the Party's bank accounts.
- 3) The President and Chair of the Federal Finance & Administration Committee are hereby indemnified by the Federal Party of the Liberal Democrats for any personal commitments made to the bank but only insofar as they relate solely to this resolution.

Duncan Greenland
Chair, Finance & Administration Committee
Registered Treasurer
July 2012

Appendix A

2013 Outline Budget & 2012 budget

	2013 Outline budget £	2012 Budget
Income		
Appeals income	605,000	710,900
Fundraising income	1,503,000	1,865,754
Federal levy	800,000	820,248
Conference	1,650,000	1,650,000
Lib Dem News	114,000	108,000
Cross charges to state parties	623,000	570,145
Policy Development Fund	455,000	450,000
Connect income	111,000	111,175
Other income	175,000	179,685
	<hr/>	<hr/>
	6,036,000	6,465,997
Expenditure		
<u>Staff costs</u>		
Office of the Chief Executive	1,080,000	1,195,753
Elections & Skills	678,000	652,032
Membership	531,000	491,032
Finance & Resources	260,000	258,942
Commons Whips	75,000	75,076
	<hr/>	<hr/>
	2,624,000	2,672,835
<u>Departmental non-staff costs</u>		
Office of the Chief Executive	607,000	725,988
Conference	575,000	605,050
Elections & Skills	1,127,000	1,145,056
Membership	275,000	329,833
Finance & Resources	668,000	754,094
Commons Whips	33,000	32,962
	<hr/>	<hr/>
	3,285,000	3,592,983
Total expenditure	5,909,000	6,265,818
Surplus for the period	<hr/>	<hr/>
	127,000	200,179



The Liberal Democrats (The Federal Party)

Reports and Financial Statements

Year Ended

31 December 2011

“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)
Report of the Party Officers for the year ended 31 December 2011

Contents

Page:

1	Party Officers
2	Report of the Party Officers
6	Statement of Registered Treasurer's responsibilities
7	Report of the independent auditor
9	Income and expenditure account
10	Statement of total recognised gains and losses
11	Balance sheet
12	Cash flow statement
13	Notes forming part of the financial statements

Party Officers

Registered Officers under PPERA

Leader:	Rt Hon. Nick Clegg MP
Registered Treasurer:	Duncan Greenland
Nominating officer:	Sarah Morris
Campaigns officer:	Chris Fox
Deputy campaigns officer:	Martin Hayman
Deputy campaigns officer:	Joanne Foster

Other Officers

Party President:	Tim Farron MP	
Vice President:	Jonathan Davies	
Vice President:	Craig Harrow	
Vice President:	Prof John Last CBE	
Treasurer:	Richard Duncalf	To February 2012
Treasurer:	Sir Ian Wrigglesworth	From February 2012
Chief Executive:	Chris Fox	To November 2011
Chief Executive:	Tim Gordon	From January 2012

The Party Leader is elected by a postal ballot of all members in accordance with Article 10 of the constitution. The Party President is elected for a 2-year term by a postal ballot of all members of the Party in accordance with Article 12.1 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

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2011

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 (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 Political Party with 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 Executive – Tim Farron MP
Campaigns & Communications – James Gurling
Federal Policy – Jo Swinson MP
Federal Finance and Administration – Duncan Greenland
International Relations – Robert Woodthorpe-Browne
Federal Conference – Andrew Wiseman

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 and 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 6.10 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 7.2 of the constitution.

The Federal Executive (FE) is responsible for directing, co-ordinating and implementing the work of the Federal Party. Membership of the FE is defined by article 8.1 of the constitution.

The Federal Finance & Administration Committee (FFAC) is a sub-committee of the FE responsible for the planning and administration of the budget and finances of the Federal Party, directing 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 Electoral Administration Act 2010. The FFAC is also responsible for the appointment of the Federal Party's auditor and ensuring that there are adequate financial

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2011

controls and systems in place. Membership of the FFAC is defined by article 8.2 of the constitution.

The Campaigns & Communications Committee (CCC) exists to co-ordinate the Party's national campaigns and communications strategy. Membership consists of a Chair elected biannually by the FE, the Party President, Party Leader, Chief Whip and two members directly elected by the FE.

The International Relations Committee (IRC) is responsible for the Party's international liaison. Its membership consists of representatives of the state and parliamentary parties, Liberal Youth, Liberal International British Group, European Liberal Democrats and Reform Group and individuals elected by Conference representatives.

The Chief Officer's Group (COG) was established to co-ordinate the work of the Federal, English & Parliamentary Parties. The COG is chaired by the Party Leader and consists of the Chairs of the FFAC, FCC, CCC, The Parliamentary Office of the Liberal Democrats (POLD), representatives of the English, Scottish & Welsh parties, the Federal Party's President and Treasurer, and Chief Executive. Its role is to contribute towards setting and reviewing the strategic objectives of the Party and ensure its effective execution including overall preparations for elections, presentation, image and media relations and planning and monitoring the budget and finances of the Party.

The Party Trustees perform the role of an Audit & Compliance Board including meeting with the auditor and receiving its reports, and ensuring compliance with the Party's procedures for the acceptance of significant donations including consideration of the dangers to the Party's reputation as well as strict legal compliance with the Political Parties, Elections and Referendums Act 2000 as amended by the Political Parties and Elections Act 2009.

Elected representatives

The Party's 57 elected members of the Westminster and 12 members of the European Parliaments are shown at Annex A. In addition there are 91 Liberal Democrat members of the House of Lords, five Liberal Democrat members of the Scottish Parliament, five Liberal Democrat members of the Welsh Assembly and two Liberal Democrat members of the Greater London Authority. As of May 2012 there were approximately 3,000 Liberal Democrat Councillors. There are also two directly elected Liberal Democrat Mayors.

Staffing

The principal permanent members of staff are:

Chief Executive – Chris Fox	To Nov 2011
Chief Executive – Tim Gordon	From Jan 2012
Director of Elections & Skills – Hilary Stephenson	
Director of Finance & Resources – Nigel Bliss ACA	
Director of Membership & Development – David Loxton	
Chief of Staff – Tim Snowball	

Accounting Units

The Party has 511 accounting units registered with the Electoral Commission.

The Liberal Democrats (The Federal Party)
Report of the Party Officers for the year ended 31 December 2011

2. *Review of political activities*

During 2011 the public continued to see the impact of Liberal Democrats in government with specific manifesto pledges being implemented in areas such as the increase in personal tax allowances, taking 880,000 low earners out of tax altogether, and scrapping the post office closure programme of the previous government.

Conferences

The Party held two conferences during the year:

- Spring
- Autumn

Spring

The 2011 Spring Conference was held, for the first time, in Sheffield with debates covering such issues as the voluntary sector and volunteering, and youth justice policy.

Autumn

In the autumn of 2011 the Party returned to Birmingham where debates included the digital economy and adult social care.

Policy development

Since the move into Government the Party has retained its identity as a radical, progressive party and at the heart of this is its strong policy development function. This strength was, in part evidenced by the consultative sessions covering such issues as local government finance and inequality.

3. *Financial Review*

The Federal Party recorded a deficit for the year of £299,977 against a budgeted surplus of £200,411. In addition there was an actuarial loss on the closed final salary pension scheme of £92,000 with the result that the Party ended the year with net liabilities of £740,937 (equivalent to about 6 weeks income).

The result for the year was impacted by the decision to waive the debt owing to the Federal Party from the Parliamentary Office of the Liberal Democrats (POLD) of £517,450. It became clear during the course of 2011 that as most of POLD's income is required to be spent on current year's activities (principally the funding of the Whips Office) , it would never generate sufficient surpluses to repay the debt that arose during the transition period following the loss of Short & Cranborne monies when the Party moved into government after the 2010 general election. After polling day it took some time, and cost, to downsize POLD to a sustainable level and it was during this period that the debt arose.

Without this exceptional item the Federal Party would have produced a surplus of £217,473 exceeding budget by about £17,000.

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2011

During the year the Federal Party was also able to invest in the move to new headquarters and a new campaign management system. The office move resulted in capital expenditure of £363,000, though this was partially offset by the write back of the dilapidations provision on the Cowley Street premises of £115,000. The cost of surrendering the lease on the Cowley Street premises was more than offset by the rent free period negotiated on the new Great George Street premises. In addition the running costs of the new premises are lower than for the old premises.

The campaign management system resulted in capital expenditure of £146,000 (further expenditure has been budgeted for in 2012), with annual costs of £280,000. This significant investment will transform the Party's ability to campaign effectively on the ground.

As expected, income (notably donations) were much lower than in 2010, a general election year. This fall in income was offset by a corresponding reduction in campaign expenditure.

Duncan Greenland

Registered Treasurer

25 June 2012

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. He 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.

Section 43 of the Act requires that the Treasurer is responsible for delivery of the statement of accounts to the Electoral Commission by the required deadline.

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)

We have audited the financial statements of the Liberal Democrats (The Federal Party) for the year ended 31 December 2011 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Registered Treasurer and auditors

As explained more fully in the Statement of Registered Treasurer's Responsibilities set out on page 6, the Registered Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the Federal Conference of the Liberal Democrats (The Federal Party), as a body, in accordance with the Party's rules and section 43 of the Political Parties, Elections and Referendums Act 2000. Our audit work has been undertaken so that we might state to the Conference of the Liberal Democrats 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 for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Liberal Democrats (The Federal Party) as at 31 December 2011 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Political Parties, Elections and Referendums Act 2000.

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

Opinion on the other matters

In our opinion the information given in the Report of the Party Officers for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

25 June 2012

The Liberal Democrats (The Federal Party)
Income and Expenditure Account
For the year ended 31 December 2011

	Note	Total 2011 £	Total 2010 £
<u>Income</u>			
Donations		1,782,746	4,677,591
Membership and subscription fees		930,389	1,028,473
Newspaper income	11	112,740	133,827
Affinity income		32,468	53,227
Grants	5	676,322	649,031
Conference income	10	1,569,114	1,563,160
Investment income	6	62	308
Notional income	7	247,916	85,311
Recharges to party bodies	12	616,711	935,340
Other income	8	236,298	692,800
		<u>6,204,766</u>	<u>9,819,068</u>
<u>Expenditure</u>			
Conference expenditure	10	833,277	714,090
Newspaper expenditure	11	114,385	100,838
Fundraising expenditure		130,437	173,396
Depreciation and amortisation	4	35,261	16,338
Loss on disposal of fixed assets		21,518	-
Campaign expenditure		333,465	5,066,284
Staff costs	2	2,563,000	2,451,348
Premises & office costs		968,133	821,767
Interest payable and bank charges	9	57,226	76,050
Notional expenditure	7	247,916	85,311
Grants to party bodies	13	364,676	410,974
Expenditure recharged to other party bodies		100,525	95,119
Charges from other party bodies		118,577	76,631
Audit fees	4	13,500	19,169
Bad debt provision		(3,005)	-
Waiving of inter-party balance	29	517,450	-
Other expenditure		88,389	47,476
		<u>6,504,730</u>	<u>10,154,791</u>
Deficit before taxation		(299,964)	(335,723)
Taxation	14	(13)	112
Deficit for the year		<u>(299,977)</u>	<u>(335,611)</u>

The income and expenditure account has been prepared on the basis that all operations are continuing operations.

The Liberal Democrats (The Federal Party)
Statement of total recognised gains and losses
For the year ended 31 December 2011

	Note	2011	2010
		£	£
Deficit for the financial year		(299,977)	(335,611)
Actuarial loss on pension scheme	27	(92,000)	(123,000)
Total recognised gains and losses for the year		<u>(391,977)</u>	<u>(458,611)</u>

The Liberal Democrats (The Federal Party)
Balance Sheet as at 31 December 2011

	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible assets	15		508,281		26,839
Current assets					
Debtors	16	751,233		977,508	
Cash at bank and in hand		14,303		24,373	
		<u>765,536</u>		<u>1,001,881</u>	
Creditors: amounts falling due within one year	17	<u>(1,914,754)</u>		<u>(1,342,680)</u>	
Net current liabilities			<u>(1,149,218)</u>		<u>(340,799)</u>
Total assets less current liabilities			(640,937)		(313,960)
Creditors: amounts falling due after more than one year	18		(100,000)		-
Provision for liabilities and charges	19		-		(115,000)
Pension surplus	20		-		80,000
Net liabilities			<u>(740,937)</u>		<u>(348,960)</u>
Reserves					
General Fund	21		(785,937)		(393,960)
Reserve Fund	21		45,000		45,000
Total Deficit			<u>(740,937)</u>		<u>(348,960)</u>

The financial statements were approved by the Federal Finance & Administration Committee on 25 June 2012

Duncan Greenland
Registered Treasurer

The Liberal Democrats (The Federal Party)
Cash Flow Statement
For the year ended 31 December 2011

	Note	2011 £	2010 £
Net cash inflow/(outflow) from operating surplus before returns on investments and servicing of finance	24	684,458	(1,269,751)
Returns on investment and servicing of finance			
Interest received		62	308
UK Tax paid		(66)	(391)
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		(538,221)	-
Increase/(decrease) in cash	25	<u><u>146,233</u></u>	<u><u>(1,269,834)</u></u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2011

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 (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 511 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 financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards and the principles set out in the Electoral Commission's 'Statement of Accounts Guidance Notes'.

Going concern

The Federal Party relies on the receipt of donation income to meet a significant proportion of its expenditure, and an overdraft facility with the Royal Bank of Scotland to meet its working capital requirements. Donation income is inherently unpredictable, but the Finance & Administration Committee is confident that sufficient donations will be received and existing facilities will continue to be available to allow the Federal Party to meet its obligations.

The Finance & Administration Committee has taken steps to ensure that satisfactory surpluses will be achieved in 2012 and 2013, and reviewed the cash flow projection to the end of 2013. On the basis of these it is satisfied that the Federal Party will be able to meet its financial obligations within its available overdraft facility and, on this basis, it considers that it is appropriate to prepare the accounts on a going concern basis

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.

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2011

1 Accounting policies (continued)

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.
- Grants are recognised in the income and expenditure account when the conditions for receipt of the grant have been met.
- 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.
- Newspaper and 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:

Motor vehicles	-	5 years
Computer equipment	-	3 years
Computer software	-	5 years
Office equipment	-	3-5 years
Fixtures and fittings	-	10 years

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:

Pension liabilities are measured at their present value using the projected unit method in accordance with actuarial assumptions that are reviewed at each balance sheet date.

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2011

1 Accounting policies (continued)

Pension assets are measured at fair value. The net pension liability or asset, after deferred tax, is recognised in the balance sheet.

The service cost of providing pension benefits to employees for the year is charged to the income and expenditure statement. A charge representing the unwinding of the discount on the scheme liabilities during the year is included within other finance charges.

Defined contribution scheme:

Contributions to the Party's defined contribution pension scheme are charged to the income and expenditure account in the year in which they become payable.

Tax

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

2 Employees

	2011	2010
	£	£
Staff costs consist of:		
Wages and salaries	1,869,525	1,771,867
Social security costs	188,798	176,795
Other pension costs	197,995	130,252
Other staff costs	306,682	372,434
	2,563,000	2,451,348

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

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

	2011	2010
	Number	Number
	63	56

3 Registered Party Officers

None of the Registered Officers under PPERA or Committee Chairs received any remuneration in that capacity in 2011 (2010 - £nil).

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2011

4 Deficit before tax	2011	2010
	£	£
This has been arrived at after charging:		
Auditors' remuneration - audit services	13,500	19,169
Operating lease charge - property	235,007	225,000
- equipment	12,379	19,214
Depreciation	35,261	16,338
	<u> </u>	<u> </u>
 5 Grants received	 2011	 2010
	£	£
Policy development grant	458,174	467,317
Home Office grant re conference security	218,148	181,714
	<u> </u>	<u> </u>
	676,322	649,031
	<u> </u>	<u> </u>
 6 Investment income	 2011	 2010
	£	£
Interest receivable	62	308
	<u> </u>	<u> </u>
 7 Notional income and expenditure	 2011	 2010
	£	£
Market value of services donated	247,916	85,311
	<u> </u>	<u> </u>
 8 Other income	 2011	 2010
	£	£
Westminster Foundation for Democracy management fee	70,853	76,883
Treasurer's Unit income	137,413	136,223
General Election Leader's tour and manifesto sales	-	156,700
Miscellaneous income	28,032	32,994
Receipt from merger of pension funds	-	290,000
	<u> </u>	<u> </u>
	236,298	692,800
	<u> </u>	<u> </u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2011

9 Interest payable and similar charges

	2011	2010
	£	£
Bank charges	45,552	71,352
Interest payable	11,674	4,698
	<u>57,226</u>	<u>76,050</u>

10 Surplus on conferences

	2011	2010
	£	£
Income	1,569,114	1,563,160
Expenditure		
Direct costs	833,277	714,090
Premises & office costs	35,045	29,167
Staff costs	132,936	158,583
Decrease in bad debt provision	(3,005)	-
	<u>998,253</u>	<u>901,840</u>
Total expenditure	998,253	901,840
Surplus for the year	<u>570,861</u>	<u>661,320</u>

11 Deficit on Liberal Democrat News

	2011	2010
	£	£
Income	112,740	133,827
Expenditure		
Direct costs	114,385	100,838
Premises & office costs	1,039	1,544
Staff costs	41,024	40,659
	<u>156,448</u>	<u>143,041</u>
Total expenditure	156,448	143,041
Deficit for the year	<u>(43,708)</u>	<u>(9,214)</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2011

12 Recharges to party bodies

	2011	2010
	£	£
Fixed cross charge to State Parties	432,250	430,588
Variable cross charge to State Parties	76,009	94,989
Charges to other party bodies	108,452	409,763
	<u>616,711</u>	<u>935,340</u>
	<u><u>616,711</u></u>	<u><u>935,340</u></u>

13 Grants to party bodies

	2011	2010
	£	£
Grants to Specified Associated Organisations	92,619	133,080
Grants to other party bodies	272,057	277,894
	<u>364,676</u>	<u>410,974</u>
	<u><u>364,676</u></u>	<u><u>410,974</u></u>

14 Taxation on surplus/(deficit) from ordinary activities

	2011	2010
	£	£
Prior year over provision	-	(176)
Taxation on party's investment income	13	64
	<u>13</u>	<u>(112)</u>
	<u><u>13</u></u>	<u><u>(112)</u></u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2011

15 Tangible assets

	Computer Equipment £	Computer Software £	Office Equipment £	Fixtures & fittings £	Motor Vehicles £	Total £
<i>Cost</i>						
At 1 January 2011	81,750	176,289	220,323	-	21,120	499,482
Additions	-	175,299	-	362,922	-	538,221
Disposals	(81,750)	(176,289)	(220,323)	-	(21,120)	(499,482)
At 31 December 2011	-	175,299	-	362,922	-	538,221
<i>Depreciation</i>						
At 1 January 2011	81,750	176,289	193,484	-	21,120	472,643
Charge for the year	-	14,808	8,745	11,708	-	35,261
Disposals	(81,750)	(172,865)	(202,229)	-	(21,120)	(477,964)
At 31 December 2011	-	18,232	-	11,708	-	29,940
<i>Net book value</i>						
At 31 December 2011	-	157,067	-	351,214	-	508,281
At 31 December 2010	-	-	26,839	-	-	26,839

16 Debtors

	2011 £	2010 £
Trade debtors	4,055	596
Amounts owed by Liberal Democrat related entities	156,320	712,406
Other debtors	297,391	110,637
Prepayments and accrued income	293,467	153,869
	<u>751,233</u>	<u>977,508</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2011

17 Creditors: amounts falling due within one year

	2011	2010
	£	£
Amounts owed to Liberal Democrat related entities	280,227	107,994
Trade creditors	-	4,650
Other taxation and social security	73,969	61,721
Corporation tax	11	64
Other creditors	634,974	27,877
Accruals and deferred income	354,441	312,939
Other loans	-	100,000
Bank overdraft	571,132	727,435
	<u>1,914,754</u>	<u>1,342,680</u>

18 Creditors: amounts falling due after more than one year

	2011	2010
	£	£
Other loans	100,000	-
	<u>100,000</u>	<u>-</u>

19 Provision for liabilities and charges

	Dilapidations
	£
Balance at 1 January 2011	115,000
Movement in provision	(115,000)
	<u>-</u>
Balance at 31 December 2011	<u>-</u>

The lease on the Party's previous property included a clause requiring the Party to have kept the property in good repair and condition at the expiration of the lease period in February 2016. As a result of a survey carried out in January 2011 it was estimated that this would cost £115,000 given the assessment of the property at that date. As part of the agreement to surrender the lease on that property the landlord waived the requirement to repair dilapidations.

20 Pension surplus

	Pension surplus
	£
Balance at 1 January 2011	80,000
Movement in pension deficit	(80,000)
	<u>-</u>
Balance at 31 December 2011	<u>-</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2011

21 Reconciliation of movements in funds/(deficit)

	General Fund £	Reserve Fund £	Total £	2010 £
At 1 January 2011	(393,960)	45,000	(348,960)	109,651
Deficit for the year	(299,977)	-	(299,977)	(335,611)
Actuarial loss on pension scheme	(92,000)	-	(92,000)	(123,000)
At 31 December 2011	<u>(785,937)</u>	<u>45,000</u>	<u>(740,937)</u>	<u>(348,960)</u>

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

22 Capital commitments

There are no contracted capital commitments not provided for in the accounts (2010: £nil).

23 Lease commitments

As at 31 December 2011, the party had annual commitments under non-cancellable contracts as follows:

	2011 £	2010 £	2011 £	2010 £
	Land & Buildings	Land & Buildings	Other	Other
Operating leases which expire:				
Within 1 year	-	-	8,591	3,700
Within 2 to 5 years	-	-	-	11,454
After 5 years	-	225,000	-	-
	<u>-</u>	<u>225,000</u>	<u>8,591</u>	<u>15,154</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2011

24 Net cash inflow/(outflow) from operating deficit before tax, returns on investment and servicing of finance

	2011 £	2010 £
Operating deficit before taxation (299,964)	(335,723)	
Depreciation	35,261	16,338
Loss on disposal of fixed assets	21,518	-
Decrease/(increase) in debtors	226,165	(332,407)
Increase/(decrease) in creditors due within one year	728,540	(402,651)
Increase in creditors due after more than one year	100,000	-
(Decrease)/increase in provisions	(115,000)	115,000
Difference between pension charge and cash contributions	(12,000)	(330,000)
	-----	-----
Net cash inflow/(outflow) from operating deficit before tax	684,520	(1,269,443)
Investment income	(62)	(308)
	-----	-----
Net cash inflow/(outflow) from operating deficit before tax, returns on investment and servicing of finance	684,458	(1,269,751)
	=====	=====

25 Reconciliation of net cash outflow to movement in net debt

	2011 £	2010 £
Increase/(decrease) in cash in the year	146,233	(1,269,834)
Opening net (debt)/funds	(803,062)	466,772
	-----	-----
Closing net debt	(656,829)	(803,062)
	=====	=====

26 Analysis of net debt

	At 1 January 2011 £	Cash flow £	At 31 December 2011 £
Cash at bank and in hand	24,373	(10,070)	14,303
Loans	(100,000)	-	(100,000)
Bank overdraft	(727,435)	156,303	(571,132)
	-----	-----	-----
Net debt	(803,062)	146,233	(656,829)
	=====	=====	=====

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2011

27 Pensions

The Party sponsors the Liberal Headquarters 1975 Retirement Fund which is a funded defined benefit arrangement. The scheme was closed to new members in 1989 and as at 31 December 2011 there were no active members (2010: one active member). A full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 April 2007 and updated on an approximate basis to 31 December 2011.

The total contributions made by the employer over the period have been £7,844, equivalent to approximately 56% of pensionable salary. All contributions ceased from June 2011.

The best estimate of contributions to be paid by the employer to the scheme for the accounting year beginning after 31 December 2011 is £nil.

Present values of scheme liabilities, fair value of assets and deficit

	31/12/11 £'000s	31/12/10 £'000s	31/12/09 £'000s
Fair value of scheme assets	1,129	1,117	663
Present value of scheme liabilities	(1,060)	(857)	(790)
Unrecognised surplus/(deficit)	69	(180)	-
Surplus/(deficit) in scheme	<u>-</u>	<u>80</u>	<u>(127)</u>

Reconciliation of opening and closing balances of the present value of the scheme liabilities

	Period ending 31/12/11 £'000s	Period ending 31/12/10 £'000s
Scheme liabilities at start of period	857	790
Current service cost	14	14
Interest cost	47	45
Actuarial losses	142	8
Benefits paid, death in service insurance premiums and expenses	-	-
Scheme liabilities at end of period	<u>1,060</u>	<u>857</u>

Reconciliation of opening and closing balances of fair value of scheme assets

	Period ending 31/12/11 £'000s	Period ending 31/12/10 £'000s
Fair value of scheme assets at start of period	1,117	663
Expected return on scheme assets	61	46
Actuarial (losses)/gains	(61)	65
Contributions by employer	12	343
Benefits paid, death in service insurance premiums and expenses	-	-
Fair value of scheme assets at end of period	<u>1,129</u>	<u>1,117</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2011

The actual return on the scheme assets over the period ending 31 December 2011 was £nil.

Total expense recognised in income and expenditure account

	Period ending 31/12/11 £'000s	Period ending 31/12/10 £'000s
Current service cost	14	14
Interest cost	47	45
Expected return on scheme assets	(61)	(46)
Total expense recognised in income and expenditure account	<u>-</u>	<u>13</u>

Statement of total recognised gains and losses

	Period ending 31/12/11 £'000s	Period ending 31/12/10 £'000s
Difference between expected and actual return on scheme assets: gain/(loss)	(61)	65
Experience gains and losses arising on the scheme liabilities: gain/(loss)	(13)	72
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: gain/(loss)	(129)	(80)
Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable	<u>111</u>	<u>(180)</u>
Total amount recognised in statement of total recognised gains and losses: gain/(loss)	<u>(92)</u>	<u>(123)</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since 1 January 2004 is (£304,000).

Assets

	31/12/11 £'000s	31/12/10 £'000s	31/12/09 £'000s
Equities	209	230	-
Cash	56	60	-
With profit policy	<u>864</u>	<u>827</u>	<u>663</u>
Total assets	<u>1,129</u>	<u>1,117</u>	<u>663</u>

None of the fair values of the assets shown include any of the Party's own financial instruments or any property occupied by, or other assets used by, the Party.

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2011

Assumptions

	31/12/11	31/12/10	31/12/09
	% per annum	% per annum	% per annum
Inflation	3.00	3.50	3.70
Salary increases	N/A	5.00	5.80
Rate of discount	4.70	5.40	5.70
Allowance for commutation of pension for cash at retirement	Nil	Nil	Nil

The mortality assumptions adopted at 31 December 2011 imply the following life expectancies:

Male retiring at 65 in 2011	24.1 years
Female retiring at 65 in 2011	26.5 years
Male retiring at 65 in 2031	26.1 years
Female retiring at 65 in 2031	28.4 years

Expected long term rates of return

The expected return on bonds is determined by reference to UK long dated gilts and bond yields. The expected rate of return on equities is determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions. The expected return on the with profit policy is determined by blending the expected returns based on the target asset allocation of the with profit fund. For this purpose, the expected rates of return on equities, property and bonds are similarly determined by setting an appropriate risk premium above gilt yields for each class.

The expected long term rates of return for each period are as follows:

	01/01/11	01/01/10
	% per annum	% per annum
Equities	7.00	N/A
Cash	4.20	N/A
With profit policy	5.50	6.00
Overall for scheme	5.75	6.00

Amounts for the current and previous four periods

	31/12/11	31/12/10	31/12/09	31/12/08	31/12/07
	£'000s	£'000s	£'000s	£'000s	£'000s
Fair value of assets	1,129	1,117	663	579	916
Present value of scheme liabilities	1,060	857	790	634	967
Surplus/(deficit) in scheme	69	260	(127)	(55)	(51)
Experience adjustment on scheme assets	(61)	65	(62)	(103)	(18)
Experience adjustment on scheme liabilities	(13)	72	(8)	(74)	(45)

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2011

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 £198,347 (2010: £130,252). At 31 December 2011, contributions amounting to £87,554 (2010: £26,461) were payable to these funds and are included within other creditors in note 17.

28 Contingent liabilities

During the year ended 31 December 2005, the Party received donations totalling £2,419,065 from 5th Avenue Partners Limited ("5th Avenue"). After due enquiry, the Party treated these as permissible donations in accordance with the Political Parties, Elections and Referendums Act 2000. The Electoral Commission have completed their investigation into these donations and concluded in November 2010 that there is no reasonable basis to conclude that the true donor was someone other than 5th Avenue. The Electoral Commission will be taking no further action in the case.

On 11 September 2008, the Party was issued with a claim in relation to a donation of £632,000 received by the Party from 5th Avenue on 30 March 2005. The claim was defended and stayed indefinitely on 3 November 2008. The Party's lawyers have advised that it is very unlikely that this claim, or any claims in respect of these donations, would be successful, (and indeed any future claims would most likely be statute barred) therefore no provision has been made in the Party's financial statements for the repayment of such sums.

29 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 £13,862 (2010: £4,274). In accordance with FRS8 the Party has considered who else might be considered a related party. In arriving at its conclusion it has considered that these would be persons of influence in the Party who have made significant donations to it. As a result it has identified Mr Richard Duncalf who was the Party Treasurer from January 2010 to February 2012 and who made donations in 2011 of £34,000.

The Federal Party is also 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 £930,389 (2010: £1,028,473) and recharged expenditure totalling £616,711 (2010: £935,340). Expenditure includes grants to party bodies, expenditure recharged to other party bodies and charges from other party bodies totalling £583,778 (2010 - £582,724).

The amount owed by related entities at 31 December 2011 was £156,320 (2010: £712,406) and amount owed to related entities was £280,227 (2010: £107,994).

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2011

During the course of 2011 it became apparent that as most of The Parliamentary Office of the Liberal Democrats (POLD) income is required to be spent on current year's activities (principally the funding of the Whips Office), it would never generate sufficient surpluses to repay the debt that arose during the transition period following the loss of Short & Cranborne monies when the Party moved into government after the 2010 general election. After polling day it took some time, and cost, to downsize POLD to a sustainable level and it was during this period that the debt arose. As the debt (£517,450) is considered to be irrecoverable the Federal Party has waived it.

Significant balances owed by related entities are as follows:

The Welsh Liberal Democrats	£30,949
South East Cornwall Liberal Democrats	£24,158
Richmond Liberal Democrats	£13,633
Portsmouth Liberal Democrats	£11,687
Cardiff Liberal Democrats	£10,779
Yorkshire & The Humber Liberal Democrats	£10,358

30 Membership

As at 31 December 2011 there were 48,934 members of the Party.

31 Restatement of expenditure

In the course of preparing the financial statements certain items of expenditure in the 2010 comparative figures have been reclassified between expenditure recharged to other party bodies and premises and office costs, and grant income and conference expenditure have been grossed up in order to provide more meaningful presentation of the results.

As of 10 May 2012 the Party had the following elected representatives

Westminster Parliament	
Danny Alexander	Michael Moore
Norman Baker	Greg Mulholland
Alan Beith	Tessa Munt
Gordon Birtwistle	John Pugh
Tom Brake	Alan Reid
Annette Brooke	Dan Rogerson
Jeremy Browne	Bob Russell
Malcolm Bruce	Adrian Sanders
Paul Burstow	Robert Smith
Lorely Burt	Andrew Stunell
Vincent Cable	Ian Swales
Menzies Campbell	Jo Swinson
Alistair Carmichael	Sarah Teather
Nick Clegg	John Thurso
Mike Crockart	David Ward
Edward Davey	Steve Webb
Tim Farron	Mark Willams
Lynne Featherstone	Stephen Williams
Don Foster	Roger Williams
Andrew George	Jenny Willott
Stephen Gilbert	Simon Wright
Duncan Hames	
Mike Hancock	
Nick Harvey	
David Heath	
John Hemming	
Martin Horwood	
Simon Hughes	
Chris Huhne	
Mark Hunter	
Julian Huppert	
Charles Kennedy	
Norman Lamb	
David Laws	
John Leech	
Stephen Lloyd	
	European Parliament
	Catherine Bearder
	Phil Bennion
	Sharon Bowles
	Chris Davies
	Andrew Duff
	Bill Newton Dunn
	Fiona Hall
	Sarah Ludford
	George Lyon
	Edward McMillan-Scott
	Rebecca Taylor
	Graham Watson



THE LIBERAL DEMOCRATS (TRUSTEES) LIMITED

Directors' Report to the Members for the year ended 31 December 2011

The Directors submit their report for the year ended 31 December 2011, and the Company's balance sheet as at that date.

By virtue of Article 8.3 of the present Constitution of the Liberal Democrats ("the Party"), the function of the Company is to acquire, hold and dispose of such assets of the Federal Party (as defined in that Constitution) as the Federal Executive (as so defined) may from time to time direct.

Where the Company enters into any transaction, it does so as trustee and/or agent for the Party. On this basis, the Company is dormant within the meaning of Section 249AA of the Companies Act 1985 and does not prepare a profit and loss account.

The Directors of the Company during the year ended 31 December 2011 were:

- Sir Ian William Wrigglesworth (Chairman)
- Tim Clement Jones (to May 2011)
- Lord Dholakia
- Richard Duncalf (from May 2011)
- Duncan Taylor Greenland
- Michael Jeans
- Baroness Kramer (from October 2011)
- Eric Lowry – Company Secretary
- Baroness Northover (to May 2011)
- Baroness Parminter (from October 2011)
- Lord Sharman (to May 2011)
- Lord Vallance

Signed on behalf of the Board

Baroness Susan Kramer
Chair (as of 8 May 2012)
26 July 2012

Registered in England
No. 2231620

Registered Office
LDHQ
8-10 Great George Street
London
SW1P 3AE

THE LIBERAL DEMOCRATS (TRUSTEES) LIMITED

Balance Sheet as at 31 December 2011

	£
Assets	NIL
Liabilities	NIL

The Company is entitled to exemption from audit under sections 475 and 477 of the Companies Act 2006 for the period ended 31 December 2011. No members have required the company to obtain an audit of its financial statements for the period ended 31 December 2011 in accordance with Section 476 of the Companies Act 2006.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and preparation of accounts.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

Approved by the Board on 6 August 2012.



Baroness Susan Kramer
Director

Parliamentary Party (Commons)

Introduction

It is quite something to prepare this report for you, having recently concluded our first parliamentary session as a party of government and embarked on our second. It is worth taking a moment to remind ourselves why we chose to do what we did.

In May 2010, two political parties, with very different political traditions and very different political histories, and who, for the most part, have been bitter political rivals for much of the last one hundred years, put aside those differences to work together in the national interest. Our economy was in dire straits and financial systems were on the point of collapse. It is testament to our practical approach to plural politics that we were prepared to take that decision, crucially endorsed by a vote of Conference in Birmingham in special session.

The Programme for Government reflected that setting aside of differences and that sense of shared purpose: “This is an historic document in British politics: the first time in over half a century two parties have come together to put forward a programme for partnership government. As our parties have worked together it has become increasingly clear to us that, although there are differences, there is also common ground.”

As it becomes clear how deep the problems in our global economic systems are, that common purpose is as important in September 2012 as it was in May 2010, and we shouldn’t apologise for a decision that has seen us take some of the toughest decisions we’ve ever been confronted with in order to help ensure that we survive this financial super storm and have a sure foundation on which to build the fair, free and open society we are committed to. Our preamble also contains a commitment “to balance the fundamental values of liberty, equality and community” – something I firmly believe each of my colleagues is committed to as they seek to implement the Coalition Agreement and address the complex challenges of government that none of us, if we are honest with ourselves, could envisage.

And just as Liberal Democrats are concerned about our identity and how we safeguard our values when we have to take such challenging decisions on sensitive areas of policy, such as welfare and defence and the National Health Service, so Conservatives regularly rail against us, arguing that we are having a disproportionate influence on the direction of Government policy. We have seen that in the reaction to Lynne Featherstone’s proposals on gay marriage, which Nick Clegg is championing. We have seen it in the reaction to Nick Harvey’s work on an alternative to Trident. We have seen it in the reaction to Ed Davey’s determination to ensure that Britain’s energy market promotes conservation a mix of green, sustainable energy sources, whilst simultaneously reducing carbon emissions. And most vividly and most recently, we have seen it in the incredible reaction to the relatively modest proposals we have put forward to allow British citizens to choose most of those who sit in the House of Lords and make the laws that govern us.

In Government: Our First Session

It is too easy when the press is as hostile as it is to think of all the things that are not going right. Looking back on that first session, we should be very proud of our achievements – the first for Liberal Democrats in Government for over seventy years.

We should celebrate the fact that we have introduced the Pupil Premium, which was at the heart of our election manifesto, ensuring that the poorest children have the best possible chance at a high quality education. It is because of Liberal Democrats and the intransigence of Nick Clegg that the scandal of child detention for immigration purposes has been ended. We often forget that we have ended the ability of prime ministers to manipulate parliamentary sessions to maximise their electoral advantage through the introduction of fixed-term parliaments. We have also been true to our principles by continuing to drive up the tax threshold, taking more and more of the lowest paid out of income tax all together. And remember the

battles we had with Labour over their proposals for a monstrous database and the introduction of identity cards? We scrapped them. Nick Clegg witnessed the destruction of the hardware Labour planned to use to document our lives. And we have also introduced the world's first Green Investment Bank, designed to promote green capital investment. None of these things would have happened without the principled pressure of the Liberal Democrats.

All this in just two years.

In amongst such big ticket items we have also seen less championed achievements which deserve a wider audience and which are equally important in reinforcing the identity of Liberal Democrats in Government. Chief amongst those, for me, as a long term campaigner against the death penalty, was the decision by Vince Cable to put export controls on the drug propofol, as Missouri had indicated it might be used in executions.

And of course, we have had to take very difficult decisions. You know as well as I do the battles we have had over the reform of the health service, where Conference was clear that the proposals in Andrew Lansley's Bill needed to be re-thought from top to bottom. And they were. You will recall in Spring I was challenged when I presented my Commons Report over the handling of the Welfare Bill. I am completely satisfied that were it not for the efforts of Jenny Willott in the Commons and Steve Webb in the Department for Work and Pensions, we would have witnessed the imposition of a regime that, at a time when our public money is stretched to the limit, was less fair and took less account of the needs of the most vulnerable in our society.

This is the full list of public bills introduced by government ministers and private members (excluding appropriation and consolidation fund measures) to receive Royal Assent in the first session of this Coalition – not Liberal Democrat - government:

Academies Act; Armed Forces Act; Bank of Ireland (UK) plc Act; Budget Responsibility and National Audit Act; Charities Act; Coinage (Measurements) Act; Consumer Insurance (Disclosure and Representations) Act; Domestic Violence, Crime and Victims (Amendment) Act; Education Act; Energy Act; Equitable Life (Payments) Act; Estates of Deceased Persons (Forfeiture Rule and Law of Succession) Act; European Union Act; Finance Act; Finance (No. 2) Act; Finance (No. 3) Act; Fixed-term Parliaments Act; Health and Social Care Act; Identity Documents Act; Legal Aid, Sentencing and Punishment of Offenders Act; Live Music Act; Loans to Ireland Act; Local Government Act; Localism Act; London Olympic Games and Paralympic Games (Amendment) Act; National Insurance Contributions Act; Parliamentary Voting System and Constituencies Act; Pensions Act; Police (Detention and Bail) Act; Police Reform and Social Responsibility Act; Postal Services Act; Protection of Freedoms Act; Public Bodies Act; Public Services (Social Value) Act; Savings Accounts and Health in Pregnancy Grant Act; Scotland Act; Sovereign Grant Act; Sports Grounds Safety Authority Act; Sunday Trading (London Olympic Games and Paralympic Games) Act; Superannuation Act; Terrorism Prevention and Investigation Measures Act; Terrorist Asset-Freezing etc. Act; Water Industry (Financial Assistance) Act; Welfare Reform Act; Wreck Removal Convention Act.

The Parliamentary Party

The local elections were the most recent test of public opinion. Whilst the results showed there remains a considerable challenge for us out there, they also made clear that MPs have a crucial role in mitigating the effects of so much overtly hostile media and getting the message out about why we are doing what we are doing. All of us have a responsibility - whether local activist, councillor, staff member or parliamentarian to speak up for party.

It was my considerable pleasure to see Malcolm Bruce honoured in the Queen's Birthday Honours List with a knighthood for his long stint of public service. As chairman of the International Development Select Committee he has fostered a formidable reputation as a commentator on international affairs, seeking to promote Britain's role in international development issues. Less known is his long-standing campaigning on

behalf of the deaf and his work to promote sign language education. Malcolm is currently national vice-president of the National Deaf Children's Society and Chair of the Deafness All Party Group in Parliament and this interest contributed to the decision to recognise Malcolm's public service.

On our backbenches, no-one can deny the impact of Stephen Gilbert's single-minded determination to inject some commonsense into the government's proposals to reform VAT on hot foods. His crusade in relation to the so-called "Pasty Tax" is a vivid example of how Liberal Democrats in Government can be different: both fully supporting the Coalition yet, at the same time, candid, effective and constructive critics who can encourage the Whitehall machine to listen.

Adrian Sanders, as part of the DCMS Select Committee, has played a significant part in getting to the bottom of the hacking scandal. In fact, the term "wilful blindness", that became synonymous with the analysis of what was happening at News Corporation and News International originated in a key exchange between Adrian and James Murdoch. That phrase eventually formed a part of the final observations of that committee, which concluded that Rupert Murdoch "is not a fit and proper person to exercise the stewardship of a major international company".

Julian Huppert led the best-attended backbench debate in Westminster Hall to date, on the subject of cycling safety.

And despite her elevation to Nick's Parliamentary Private Secretary, Jo Swinson has continued to pursue her campaign regarding body image.

These are just some examples of the sort of work that my Liberal Democrat colleagues do, day in and day out.

Parliamentary Office of the Liberal Democrats

One of the biggest challenges facing the parliamentary party has been how to respond to the exponential increase in correspondence that has accompanied our journey in to government. In common with the Conservative and Labour parties, we have persuaded most of the parliamentary party of the benefits of pooling a small portion of our resources to create a team dedicated to making sure they have the latest briefings and information to help them respond to letters and queries they receive in their capacity as MPs. Run under the auspices of the Parliamentary Office of the Liberal Democrats, in accordance with the rules on use of allowances laid down by the Independent Parliamentary Standards Authority, and answering directly to me as Chief Whip, the Parliamentary Support Team will play an important role in supporting subscribing MPs in their parliamentary work and I look forward to reporting on its success in future Conference Reports.

I would also like to thank the staff of the Whip's Office, Head of Office Hollie Voyce and Deputy Head of Office Kate Lowdon, as well as my Special Adviser Ben Williams, whose work is crucial to keeping our parliamentarians informed and organised. Sadly, I have to announce that Kate is leaving us, for a new career in law. She will be much missed by all of us in the House of Commons.

Current Session

In the current session, Liberal Democrat ministers will continue to push our social, green, and reform agenda. Paul Burstow has played a crucial role in drafting legislation on social care which is currently out for consultation. Ed Davey is looking to introduce energy market reforms that will drive low carbon energy investment whilst ensuring energy security. Vince Cable will introduce the regulatory reforms to reform directors pay and cut red tape to ensure Britain has a competitive business environment. Sarah Teather will be overseeing the introduction of measures to improve the support given to children with Special Educational Needs. Steve Webb will be presenting proposals for pension reform, including the creation of a new single tier pension for future pensioners that will be set above the level of the basic pension credit means test.

And of course, much fuss has been made by our Coalition colleagues and parliamentary opponents about the House of Lords Bill. You will be aware that over the summer, Nick Clegg announced that the government will no longer be pursuing reform in this Parliament, due to the inability of the Conservative party to deliver the support required to make progress. Both the Conservatives and Labour have resolutely stood in the way of real democratic progress – the first real chance we have had for one hundred years – as we tried to build on the work done under the previous Labour government, who have been shameful in their refusal to act responsibly to address a shameful anachronism in our constitution. For this reason, Liberal Democrats will oppose boundary changes for the 2015 election when Parliament votes on them. The Coalition Agreement is a contract and not an a la Carte menu. It seems very hard in the 21st century to construct a rational argument as to why the people who make our laws shouldn't be elected, at least a significant majority of them, especially when Britain is at the forefront of diplomatic efforts to encourage democratic participation throughout the Middle East and developing world.

And finally...

As the Leveson Inquiry continues to uncover uncomfortable truths about the relationships between the media, the police and politicians, as the Libor scandal reveals the way our banking system has been infected by pernicious self-interest, and as we witness continuing turmoil in the international community, the role of the Liberal Democrats couldn't be more critical.

Coalition has required a different sort of politics. It has forced us to confront the realities of pluralist politics that is at the heart of our political tradition and work with those we have spent our political lifetimes battling.

I am trying, too, to be a different sort of Chief Whip. I feel there is an important role for me to play in keeping colleagues in Westminster in touch with the political temperature in the party out in the country and, consequently, I have been a willing participant in conference calls with party members, as well as a regular attendee at local party functions around the country. I would like to take this opportunity to encourage all my colleagues in the Commons to do likewise.

Lastly, you would expect me as Chief Whip to take an interest in the question of rebellions. Philip Cowley, who has made something of a career of being a keen observer of parliamentary voting patterns, has, in terms of rebellions, recently observed that “the Lib Dem rate of 24% is higher than that seen by government MPs in all but eleven post-war sessions”. That should give succour to all those who fear that we have somehow lost our independent-mindedness. More incredibly, however, he notes that my Conservative colleagues have a rebellion rate of 28%. Rather than regard it as a further entreaty to my colleagues to rebel, I would say it is yet more recognition of the influence of the Liberal Democrats on this Government – and a proud reminder to me that we are striking the right balance between being true to ourselves, whilst meeting the challenge of delivering in Government.

Rt. Hon. Alistair Carmichael MP
Chief Whip, House of Commons
August 2012

Parliamentary Party (Lords)

I took over as Chief Whip in the Lords from David Shutt at the start of the new Parliamentary session in May. David had been Chief Whip for seven years and had been in charge during our first two years in Government. His calm authority during the passage of some really difficult legislation was a great source of strength for our group. I hope that I am as successful as he was in persuading colleagues of the virtues of supporting this Government in the lobbies.

Last session

The final months of the previous session, which ended in April, were dominated by the final stages of the Health and Social Care Bill and the Legal Aid, Sentencing of Offenders (LASPO) Bill.

On the Health Bill, our team ably led by Judith Jolly, worked hard to secure further amendments at the Report Stage including:

- Preserving the Secretary of State's responsibility to maintain a universal service
- Reined in the competition powers in the Bill, for example by removing the Competition Commission's involvement in the NHS
- Introducing safeguards to prevent conflicts of interest amongst commissioners

On LASPO, Lib Dem pressure resulted in some 30 Government amendments. Martin Thomas led our team. These included:

- Providing a power to add services back into the scope of legal aid
- Putting beyond doubt that ability for parents to bring clinical negligence cases in circumstances where a baby has suffered brain injury at birth, leading to a lifetime of care
- Adopting the ACPO definition of domestic violence in relation to private family law proceedings, and accepting undertakings and police cautions, as well as other forms of evidence to prove domestic violence in such cases
- Providing legal advice for welfare benefit onward appeals on a point of law, and advice and representation for these appeals in the higher courts

On a personal note, I was pleased to be able to take through the Lords the Public Services (Social Value) Bill, which began its life in the Commons as a Private Members' Bill sponsored by Chris White MP. The Bill requires public bodies to take account of the social value of tenders for services, a requirement which should lead to greater involvement in social enterprises of all kinds in providing services to public bodies.

Current session

We are still at the early stages of the current session and so at the exploratory Committee stage of Bills. Votes have so far been rare, but to date the two most controversial measures which we are considering are Financial Services and Justice and Security.

On Financial Services, Susan Kramer is leading our team. In addition to seeking to ensure that the new regulatory framework is properly accountable, Susan is looking to improve transparency in terms of bank lending to deprived areas and to ensure a level playing field for forms of social investment. Susan Kramer is also our Lords member of the Tyrie Committee on the lessons to be learnt from the LIBOR scandal for the culture and regulation of the banking sector.

On Justice and Security, our formidable team of lawyers, including Martin Thomas, Anthony Lester, and Ken Macdonald are working to ensure that the Bill strikes the right balance between protecting security and maintaining longstanding liberties.

House of Lords reform is currently being debated by the Commons, but unsurprisingly is casting its shadow over the Lords. Although the reform plans are extremely unpopular across other parts of the Lords, I was pleased to see that in a recent poll for the Independent, some 78% of Lib Dem Peers support the proposals. This broadly reflects my own assessment of opinion in the Group.

The role of Lib Dem Peers

The 90 Lib Dem Peers play a very full role in the House itself, in scrutinising legislation, participating in committees and in general debates. This work is recognised both by the House itself and externally. It was exemplified by Shirley Williams winning the DODs Peer of the Year Award and Celia Thomas winning Charity Champion 2012 for her work on behalf of the Muscular Dystrophy Campaign.

As we reach the halfway stage of this Parliament, however, there is a recognition that we need to be doing more to spread our message to a wider range of stakeholder groups and to the Party itself. We have therefore set ourselves a target of visiting 1000 constituency or regional Parties between now and the next election. We plan to couple these visits with visits to local stakeholder groups – whether in health, education or business - and with local media. The programme is already underway, but we would welcome more visit requests (e-mail me at newbyr@parliament.uk).

The role of Lib Dem Ministers

In addition to our two departmental ministers –Tom McNally at Justice and Jim Wallace as Scottish Advocate General – we have three Government Whips who speak for the Government in the House on a wide range of issues. They are:

- Sue Garden – DCMS, Education, Higher Education
- Lindsay Northover – DfID, Health, Justice, Equalities
- William Wallace – FCO, Cabinet Office, Defence

They are a formidable trio and, though unpaid, bear an extremely heavy burden with skill, authority and good humour.

People

My appointment as Chief Whip coincided with – but I am assured did not cause – three of the staff in Whips' office to move on to other things. Carolyn Rampton, the Head of Office is retiring and undertaking a degree in the history of art. Tom Kiehl, who is a veteran of 11 years, has joined a music industry trade group and Jeremy Hill is pursuing his international interests. They have all earned the respect of the Group for their support on all matters great and small and we wish them well for the future.

Their departure has however, enabled us to look afresh at the priorities of the Whips' office. We have decided that we need to put greater resource into the way we respond to external pressure on policy issues and in supporting our outreach work and a new staffing structure reflects these new priorities. We are still in the process of making appointments, but I am delighted that we have appointed Laura Gilmore as Head of Office, whose experience of working for Lib Dem elected representatives and a leading local council group will, I am sure, prove invaluable.

Dick Newby

Chief Whip, House of Lords

July 2012

Parliamentary Party (Europe)

Since the Spring Conference the Euro crisis has continued to dominate the debate in the European Parliament but a long term solution to the problem is still not in sight.

It is also an important time for the European Parliament with negotiations underway on the new Multiannual Financial Framework (MFF) for 2014/2020 and on reform of the Common Agricultural Policy (CAP), Cohesion policy and the Common Fisheries Policy (CFP). UK Lib Dem MEPs have a key role in these reforms.

Since the start of 2012, when **Sharon Bowles (South East)** was re-elected as Chair of the exceptionally busy Economic and Monetary Affairs Committee in the European Parliament, she has participated in and overseen negotiations in key pieces of financial legislation and has also made a number of keynote speeches on upcoming legislation, designed to stabilise these tumultuous times. She continues to regularly brief Ministers in the Coalition to ensure the UK's voice is heard when negotiating financial legislation at the EU level.

Fiona Hall (North East), continues to lead by example as Leader of the delegation and achieved great success in driving through agreement on the Energy Efficiency Directive on which she has worked tirelessly for the last few months.

George Lyon (Scotland) has led the delegation in negotiations on reform of the CAP which is now entering its most crucial stages. As Vice-President of the Budgets Committee and sitting on the Parliament's influential MFF Contact Group, George has also been involved in negotiations over the 2013 budget and the new financial framework for the next 7 years.

Sarah Ludford (London) has co-drafted a follow up to the European Parliament's 2007 report which she initiated into European states' collusion with CIA 'extraordinary rendition' of kidnap, illegal detention and torture, demanding full accountability and an end to impunity. She has helped lead work in the Civil Liberties committee on new EU laws to ensure that anyone arrested in Europe gets full information on their rights and the services of a lawyer and that crime victims get proper support; these will help secure justice for Britons abroad. She is pressing for fairer EU rules on cane sugar imports to help preserve 800 jobs at the Tate & Lyle refinery in east London and campaigning for help from Brussels for safer cycling and cleaner air in the capital.

Chris Davies (North West) is taking a lead role in trying to secure an ambitious reform of the EU Common Fisheries Policy and has set up the cross-party Fish for the Future group to lobby for change. Parliament gave strong backing to his report on developing a roadmap for a low carbon economy in 2050, which the Commissioner for Climate Action is now using to support her attempts to strengthen the emissions trading system and promote more low carbon investments. Chris is also pressing UK ministers to ensure that they take full advantage of a potential €400 million pot of EU money he secured that will become available this autumn to support construction of a carbon capture and storage project in Britain.

Andrew Duff (East) continues to work on developing the position of the ALDE group and the Parliament on the constitutional fall-out from Cameron's attempted veto of the EU's efforts to make progress towards banking union, fiscal union and political union. He leads on preparing the Parliament for the European election campaign in 2014, and continues to chair the cross-party federalist intergroup of MEPs. He is also the Liberal group spokesman on the annual strategic report on EU common foreign, security and defence policies.

As well as holding fort as Vice-President of the Parliament, **Edward McMillan-Scott (Yorkshire and the Humber)** has been appointed to the EP's new Democracy Support and Election Coordination Group, which will oversee the new directorate for the Promotion of Parliamentary Democracy (which he also founded) as well

as the Election Observations Unit and Human Rights Action Unit. He is also leading the campaign to establish a Single Seat for the European Parliament and end the wasteful travelling circus to Strasbourg.

Bill Newton Dunn (East Midlands) successfully steered new EU environmental legislation through Parliament and Council to remove phosphorus in detergents for both household washing machines and for dishwashers, despite unexpected opposition from the government in London. He now leads for the Liberal MEP group on the new parliamentary committee which is investigating Organised Crime and what Europeans together must do to fight it successfully.

Sir Graham Watson MEP (South West) enthusiastically continues his work as President of the European Liberal, Democrat and Reform Party (ELDR) and in February 2012 the house adopted his report recommending the extension of sanctions to prevent money laundering within the EU by individuals in regimes where sanctions are applied. Currently, Graham is the Shadow Rapporteur on two reports: one which considers the security implications of Climate Change and the other will consider EU-China relations.

Catherine Bearder (South East)) has continued highlighting the problem of human trafficking in her work in the European Parliament, in the SE region and with the WLD. She is currently representing the liberal democrats on the parliament's discussions on key international trade agreements with Colombia, Canada, with a particular focus on human rights and the Tar Sands issue. She is also working to improve trade relations between the EU and ACP states. Catherine is focussing on linking her international work with that of the LDs in her region, especially with regards to the issues of recycling and the dumping of toxic waste in developing countries.

Since taking office as MEP for West Midlands in February this year, **Phil Bennion (West Midlands)** has been highly active in the Employment Committee, focussing on supporting SMEs and minimising administrative burden and in the Transport Committee, Phil has had recent successes ensuring that a good balance is found between improving road safety across Europe and reducing administrative burden, as well as boosting innovation in the automotive industry. Throwing himself right in at the deep end, Phil is also a highly active Member of the South Asia Delegation, taking every opportunity to raise issues important to the south Asian diaspora in the West Midlands region, and recently attending a joint delegation visit to Pakistan and Nepal.

Rebecca Taylor (Yorkshire and the Humber), the delegation's latest addition is also getting stuck in to the task at hand in both the Legal Affairs committee where she has led the delgation in work on a Directive to improve the transparency of extraction companies and the monies paid to governments, and the Environment committee where she has been working closely with Chris to reinforce the LibDem ranks on important dossiers.

George Lyon MEP
Chief Whip, European Parliament
July 2012

Federal Appeals Panel

The Federal Appeals Panel is established under Article 14 of the Constitution, and adjudicates over a variety of disputes that fall outside the remit of State Appeals Panels.

The FAP is made up of 18 members – 9 of whom are elected by the Federal Executive and confirmed by Conference, with 3 being elected by each State Party.

The Chair of the FAP is elected by the Panel from amongst the members elected to it by the Federal Executive.

1. Introduction

The Panel exists under Article 14 of the Federal Party Constitution to resolve internal conflicts falling within Article 14.3. Its composition is as set out in Article 14.1. The current panel came into office in 2010 and serves until 2015. Alan Masters, former Chair of the Welsh Appeals Panel, was elected Chair in 2010. Paul Roberts was elected as a vice-chair in spring 2012 anticipating the retirement of Chris Wilmore as Chair of the English Appeals Panel who had served as Vice-Chair prior to that.

2. Ruling on the Conference Triple Lock Motion

The main outstanding item of business from the previous panel had been a ruling on the Triple Lock Motion passed at the Southport Conference in 1998. In effect that ruling determined that the Triple Lock was unconstitutional, but did not preclude that an amendment could come forward that was in accordance with the constitution.

This matter has now been resolved with the passage of the relevant constitutional amendment at this Spring's Conference in Newcastle/Gateshead.

3. Other Recent Rulings on interpreting the Constitution

Also under Article 14.6, the Panel is obliged to publish its decisions on its interpretation of the Constitution.

Where the question is asking for interpretation of the Constitution rather than as part of a dispute it is normal for the Chair of the Panel to provide this on his own authority under the Panel's procedures.

a) Police Commissioners

Some Local Parties and some individual members wrote in questioning the constitutionality of the Federal, English and Welsh Party decisions on not fighting the Police Commissioner elections.

The Chairs of the three appeals panels jointly ruled that any assertion about unconstitutionality under clause 1.2(c) of the Federal Constitution failed because the word 'all' is missing from the clause.

Eg: in order to achieve such objects, to secure the election of Liberal Democrats as Members of Parliament, UK Members of the European Parliament and members of local and 'all' other elected public authorities.

b) House Of Lords

The Panel was asked to rule on whether there needed to be constitutional amendments to introduce provisions for candidate approval and selection when the Bill to reform the House of Lords was passed. The Panel ruled as follows:-

“The Appeals Panel is of the opinion that the references to candidates in the Federal Constitution, in Article 11, in particular and elsewhere can only be interpreted as referring to candidates for the **House of Commons** and European Parliament as there was no elected **House of Lords** even on the agenda when the constitution was originally written in 1988.”

The Constitutional amendments have now been put before this Conference.

c) **Equality Act 2010**

A Working Group was set up by the chair of the Federal Executive and the Chair of the Joint States Candidates Committee to determine what constitutional and rule changes on candidate matters were required as a result of the Equality Act 2010. Their preliminary report identified non-candidate issues were also affected by the Act and therefore asked for a ruling from the panel in how to proceed. The panel ruled as follows:

“Under section 103 of the Equalities Act 2010 the Working Group should carry out an equality impact assessment on all the Constitutional clauses identified by the Working Group. The purpose of which is to identify whether in light of the Equality Act 2010 and in particular section 104 we can continue to justify those clauses on the basis of equality and proportionality.

The Working Group should consider whether there are mechanisms such as an equality pro-forma that can be created in respect of each constitutional provision by which its justification and acceptability in terms of the act can continue to be maintained. The pro-forma should be checked at start of each selection round to see whether it is still justifiable and proportionate

Where it is apparent that the clause can no longer be maintained or is likely to be in this position within the next year, then the relevant committee should recommend timely and appropriate changes to the constitution so that the constitution remains in compliance with the Equality Act 2010.

The Working Group should report back to the Joint States Candidates Committee on candidates’ issues and the Federal Executive on other constitutional issues.”

The Constitutional amendments have now been put before this Conference.

4. Panel Rulings which may require full hearings to resolve them

a) **Disciplinary cases involving Electoral Commission rulings**

The Panel was also asked to consider the correct treatment of cases giving rise to PPERA issues in light of the Electoral Commission's changes in enforcement policy from December 2010.

There have been two potential cases in England and one actual case in Wales which give rise to these issues and the involvement of the Electoral Commission so far. The following interim joint ruling was made:

“I have consulted with Mark Soady, Head of the Welsh Appeals Panel, Chris Willmore, the Head of the English Appeals Panel, and Malcolm Bruce MP, Head of the Scottish Appeals Panel.

It is agreed that the matters involving these issues are essentially Federal in nature because the Chair of the FFAC, as the Party's Registered Treasurer, and the Chief Executive, as the Registered Campaigns Officer, are personally liable for some of the offences which could be committed by local parties and their officers. The Federal Party also employs professional staff to deal with the Electoral Commission on a daily basis and is therefore better equipped to deal with the outside statutory body in this respect.

Therefore where issues of this nature arise they should not be dealt with by the English (or

Regional), Welsh, or Scottish Parties in the first instance, but must be referred to the Federal Party's Compliance Department who will liaise with the Electoral Commission determine an outcome.

It may then be necessary for the FFAC or the Party's Compliance Department to make recommendations to the State or Regional Party concerned about Local Parties', Branches' or Individuals' future conduct. This will mean that any appeals following from such matters become Federal Appeals rather than State Appeals."

Having consulted with Welsh, English Appeals Panel, and Scottish Appeals Panel Chairs this was agreed provisionally to cover the three cases that were pending at the time.

However it has not yet been agreed by the Scottish Party as a final interpretation and may be subject to further consideration of its potential impact on state powers on other matters.

b) Relative Powers of the FCC and FE

During the discussions on the issue of police accreditation the Panel was asked to give an informal opinion on the relative powers of the Federal Executive and the Federal Conference Committee as set out in clause 6.10 of the Federal Constitution.

The Panel's informal advice was as follows:-

'The Conference shall be organised by the Federal Conference Committee, which shall be subject to the control of the Federal Executive in matters of financial and other resources.'

The Panel's opinion was that they would consider that the financial consequences of such a decision would fall within the remit of the FE's final control powers subject to a ruling in any full hearing on the matter.

5. Constitution

The panel would like to record its thanks to Jonathan Davies for his help in maintaining the up to date version of the Joint Constitutions of the Party.

Alan Masters
Chair of the Federal Appeals Panel 2010-2015
July 2012

Campaign for Gender Balance

The Campaign for Gender Balance was established by the Federal Executive in response to the conference debate on gender balance in September 2001, and is now being run within the strategic framework of the Diversity Unit at Cowley Street. It continues to form a key central initiative for supporting potential women candidates within the Party, and it implements a range of training, mentoring and support activities in order to increase the number of women standing for Parliament.

Current approval / selection figures (as of 10 July 2012):

Total number of approved candidates eligible to stand for Parliamentary selections (excluding current Parliamentarians) - 956

No of women candidates on the approved list - 261 (27%)

No Westminster selections have taken place for this electoral cycle yet.

One of our key aims in 2012 is to ensure that all potential women candidates have all the encouragement, skills and support necessary to become effective Parliamentary candidates. We continue to work closely with the Elections and Skills team at HQ, and with the Candidate Leadership Programme to ensure that this happens. We continue to focus on increasing female representation in Parliament; in particular we are looking at how we can ensure that the policies and culture of the party and relevant Parliaments is conducive to electing more women Parliamentarians in addition to our on-going support for potential women candidates.

Recent Developments

CGB and Women Liberal Democrats (WLD currently incorporates Scottish Women Liberal Democrats) are working more closely together and considering merging into one formal women organisation within the party that would offer a stronger voice to their views and an updated style of organisation which will have more general appeal to our women members.

The CGB and WLD executives met twice in May and agreed that the organisation should:

- work together to form an organisation as described above.
- retain SAO status or equivalent (membership organisation in some way).
- be able to develop and present policy motions directly to conference.
- continue to recruit, mentor and support female parliamentary candidates.
- provide expertise to the party, & be a point of information to the party on issues important to women
- provide/facilitate relevant training, support and mentoring to members.
- Offer significant networking opportunities.
- have staff capability.
- Have Funding coming from members, supporters, the party and significant fundraising.
- ideally have a seat on all senior party committees.
- be launched at the Autumn party conference in Brighton.

A working group comprised of representatives from the two executives have met to look into defining the structure, mission, vision and strategy of the new women organisation. A survey will also be drafted and sent to party members in order to express their opinions about this new initiative.

The working group also agreed to the following Autumn Conference activities;

- To hold a **joint reception** on Saturday 22nd September at 8 pm at the Kings Hotel in Brighton.
- Run **consultation sessions** on a new organisation on Saturday and Sunday 22nd and 23rd September 4pm – 5.30pm (Saturday at The Grand, Consort Room & Sunday at Hilton Metropole, Gloucester Room) – **please come along!**
- Have a **joint stall** at Conference that reflects **“Women Working Together”**

Rosalyn Gordon was been invited to attend the WLD AGM on behalf of CGB on Saturday 22nd July 2012 in particular to their member consultation on a new organisation.

Current and planned activities

- **The Campaign will be running a training programme** at the 2012 Autumn Conference. Due to the stage of the electoral cycle, these sessions will predominantly focus on key information and skills that help potential candidates to win target/winnable Parliamentary seat selections.
- CGB provides **mentoring** to women candidates at different stages of their careers, including a number who applied for the Leadership Programme (27 women have been accepted onto the programme). We view the Leadership Programme as complementary to the work CGB conducts. We would like to highlight that CGB are available to assist women no matter what stage or level of support they are receiving, if they would like to become Parliamentary Candidates/MPs – our aim is to help them make that happen.
- An **MP Shadowing Day** for individuals from currently under-represented groups in Parliament was held on 26th June with 11 participants, 8 of which were women. This was a great opportunity to get a taste of the day-to-day life as an MP, and inspire them to continue their political career.
- We are planning to organise four **Inspiration Days** in the lead up to Conference. These will take place in London, Durham, Leeds and Edinburgh. Inspiration Days are friendly and informal events, designed to give women members the opportunity to develop their skills, learn more about becoming active in the party and meet other like-minded women from across the Region.
- We intend holding our annual **Future Women MPs Weekend** on the last weekend of November (fundraising permitting). This event is meant to provide targeted training for potential women candidates. Participants will benefit from a 2-day intense training course mainly focused on *planning and winning your selection campaign* and *building your winning team* aiming to give attendees the skills needed to be selected in winnable seats.
- A **mentoring recruitment drive** took place in May and 31 new mentors were added to our database. Candidates who stood in the last General Election were targeted as potential mentors for women members.
- CGB is planning to send out targeted e-mails to groups of women to **encourage candidacy**. The targeted groups are
 - Women members who requested candidate approval applications forms and never returned them back.
 - All local parties' executives to head hunt women to become approved candidates.
 - All women who stood as Councillor candidates in May this year to offer them support and keep them informed about CGB activities.
- **An e-mail newsletter** is sent out every month to over 1000 subscribers, including details of training events, relevant news items and seat adverts.
- The Campaign continues to closely **monitor information regarding approval and selection figures**, to gain an accurate picture of the women representation within the Party.
- CGB Committee continues to lobby the Leaders Office on the level of female representation in the Cabinet and Government
- CGB has also been involved in external roundtables relating to female representation. In March, Tamora Langley attended one convened by the **Centre for Women and Democracy** and in June, Dinti

Batstone attended one convened by **Counting Women In**, a coalition comprised of Fawcett, Electoral Reform Society, Centre for Women & Democracy, the Hansard Society and Unlock Democracy.

- CGB has issued media statements welcoming achievements of Liberal Democrat Ministers in Government that have potential to improve women's representation

I would like to thank my Vice Chairs; Dinti Batstone and Tamora Langley and committee members Jo Shaw and Katy Gordon for all their work this year for CGB. Candy Piercy for her support in providing training and all those who offer their services for our training and events. Finally thanks to Roxana Cimpeanu and Vicky Booth in the Diversity Office without whom many of our good work would go undone.

Rosalyn Gordon
Chair, Campaign for Gender Balance
July 2012

Diversity Engagement Group (DEG) Report

The Diversity Engagement Group (DEG) was established to oversee the achievement of the Party's equality and diversity priorities. The group brings together nominated 'Champions' from all sections of the Party in leading the strategic and accountable body responsible for delivering our diversity agenda and reporting back to every Federal Conference. DEG acts as a steering group for a dedicated Diversity Unit based at Liberal Democrat HQ, and is chaired by Baroness Sal Brinton.

Current areas of work

Regional/State Diversity Champions

The Diversity Unit supports a network of Regional Diversity Champions **to deliver activities at a regional and local party level**. Regional Diversity Champions and their teams are responsible for driving through **strategic action plans** within each region, to promote and support the diversity of the local parties and candidates. Champions **report back on progress** on the action plans in each region at the quarterly Diversity Engagement Group meetings.

Activities in various regions so far in 2012 include:

- **Inspiration Days** planned in the run up to Autumn Conference, to encourage more women members to become approved candidates and take on different roles within the Party. These will be held in London, Yorkshire and Humber (Leeds) and Scotland (Glasgow).
- A **diversity event** taking place in July in the North West and hosted by Andrew Stunell MP.
- A **closed Facebook group and forum outside the DEG set meetings** for wider discussion on equality and diversity
- The new State Diversity Champion for Scotland agreed a short term action plan with Scottish Party Leader **to talent spot potential candidates** (particularly those who are not currently party members) from under-represented groups.

Candidate initiatives

- The **Leadership Programme** participants took part in a series of training and networking opportunities throughout the year, as well as shadowing and mentoring from current politicians and experienced candidates.
- The Unit had input into the working group which looked at making the current Selection Rules for Westminster and Europe compliant with the Equalities Act 2010 Guidance for Political Parties. The amended rules are now in place and **positive action mechanisms** have been put in place by the relevant candidate bodies for both Westminster and European Parliamentary selections.
- Regions and states have been asked to set targets for candidates from under-represented groups as this is one of the recommendations that came out from the Brinton Review.
- The Unit continues to run the **New Generation** initiative and **Campaign for Gender Balance** (*see separate report*), which provides targeted training, mentoring and support for potential BAME and women candidates.

Diversity awareness within the Party

- A document of the key points that come out from the guidance for political parties in Equalities Act 2010 was produced and circulated to DEG members. The guidance refers to **positive actions in the**

selection of candidates across all the diversity strands and these actions would need to be proportionate and address an inequality where they are being applied.

- In order to mark **Women's International Day** an email from Lynne Featherstone was sent out to all our members informing them about the positive impact we are making on the lives of thousand of women. The **women's policy paper** can be found on the party's main website under Equality.
- A new working group will be set up within the party to conduct **Equality Impact Assessments (EIAs)** and it will be comprised of the Head of Diversity, a Policy Unit representative, two DEG members and three Federal Policy Committee (FPC) members. The new process of conducting EIAs will start in the new round of policy development
- **Training sessions** are being offered at Federal Conference on reaching out and widening participation in your local party and campaigning with BAME communities.
- A package of **diversity awareness training** will be put together, and rolled out to all Regional Executives. We hope that training will then be disseminated to local parties by Regional Diversity Champions and other trainers in the region.

Diversity monitoring

- Approval and selection data is regularly monitored and analysed in order to gain an accurate picture of candidate diversity within the Party.
- Anonymous **candidate diversity monitoring information** has now been uploaded onto the Party website, as per the recommendations in the Equality Act 2010
- A diversity monitoring form has been sent out as a pilot to a limited group of members and received a good response. The Membership and Development team are now looking to roll this out more widely.

External engagement and activities

- The Diversity team have been working closely with the Government Equalities Office (GEO) on the **Access to Elected Office Strategy**, which aims to provide financial assistance and training to disabled individuals who want to stand as candidates for national or local elections. The official GEO launch was held on 9th July, and the fund is now open for applications.
- Sal Brinton has been asked to be the **Party's spokesperson** for this particular project and to champion diversity monitoring within the Party.
- Several **high-profile events and visits** are being planned for 2012, planned around particular faith and community festivals.
- The team is working with several external organisations, such as the 'Counting Women In' coalition, to look at how we can increase representation of women at all levels.

Three **DEG meetings** have taken place this year in January, at Spring Conference and in June. The last one will be held at Autumn Conference.

Baroness Sal Brinton

Chair – Diversity Engagement Group

July 2012