



The Liberal Democrats (The Federal Party)

Annual Report

Year Ended

31 December 2017

"The Liberal Democrats exist to build and safeguard a free, fair and open society, in which we balance the fundamental values of liberty, equality and community and in which no-one shall be enslaved by poverty, ignorance or conformity."

Preamble to the Federal Party Constitution.

The Liberal Democrats (The Federal Party)
Financial Statements for the year ended 31 December 2017

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Party Officers

Registered Officers under PPERA

Leader:	Tim Farron MP (to July 2017)
Leader:	Sir Vince Cable MP (from July 2017)
Registered Treasurer:	Peter Dunphy
Nominating officer:	Sarah Morris
Campaigns officer:	Tim Gordon (to August 2017)
Campaigns officer:	Sir Nick Harvey (from September 2017)

Office Holders:
Deputy campaigns officer: Adam Stachura (to February 2018)

Deputy campaigns officer: Paul Moat (from February 2018)

English Party Chair: Liz Leffman

Convenor of the Scottish Party: Sheila Thomson (to December 2017)

Convenor of the Scottish Party: Sheila Ritchie (from January 2018)

Chair of the Welsh National
Executive Committee: Carole O'Toole

Treasurer: Lord Mike German

Chief Executive: Tim Gordon (to August 2017)

Chief Executive: Sir Nick Harvey (from September 2017)

Party President: Baroness Sal Brinton

The Party Leader is elected by a postal ballot of all members in accordance with Article 17 of the constitution. The Party President is elected for a 3-year term by ballot of all members of the Party in accordance with Article 19.1 of the constitution.

Party Headquarters

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

The Liberal Democrats (The Federal Party)
Financial Statements for the year ended 31 December 2017

Auditor

Mazars LLP, 

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2017

The Liberal Democrats (The Federal Party) is a federation constituted by the Scottish Liberal Democrats, the Welsh Liberal Democrats (Democratiaid Rhyddfrydol Cymru) and the Liberal Democrats in England (together, the State Parties). The Liberal Democrats in England is a federation of the Regional Parties in England. The Regional Parties comprise a number of Local Parties.

The Liberal Democrats (The Federal Party) is constituted under section 26 of the Political Parties, Elections and Referendums Act 2000 as a central organisation with 434 accounting units.

These financial statements deal solely with the activities of the Federal Party as set out in Article 2 of the Constitution of the Federal Party. They do not include the income, expenditure, assets or liabilities of the State, Regional, Local Parties, or any other bodies.

1. *Administrative information*

Committees

The following committees operate within The Liberal Democrats (The Federal Party) ("the Federal Party", "the Party") to oversee and manage the organisation's business. The terms of reference for each committee are contained within the Party's constitution. The Chairs of the respective committees are:

- Federal Board – Baroness Sal Brinton
- Federal Policy – Tim Farron MP (to July 2017)
- Federal Policy – Sir Vince Cable MP (from July 2017)
- Federal Conference – Andrew Wiseman
- Federal Finance & Resources – Peter Dunphy
- Federal Communications & Elections – James Gurling
- Federal People Development – Miranda Roberts
- Federal International Relations – Robert Woodthorpe-Browne
- Federal Audit & Scrutiny Committee – Rosalyn Gordon (to December 2017)
- Federal Audit & Scrutiny Committee – Helena Cole (from January 2018)

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

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

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

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

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

The Liberal Democrats (The Federal Party) Report of the Party Officers for the year ended 31 December 2017

the provisions of the Political Parties, Elections and Referendums Act 2000 as amended by the Political Parties and Election Act 2009 and by the Electoral Administration Act 2006. The FFRC is also responsible for ensuring that there are adequate financial controls and systems in place. Membership of the FFRC is defined by article 11.2 of the constitution.

The Federal Communications and Elections Committee (FCEC) is responsible for overseeing the implementation of the Party's strategy in relation to elections, campaigns and communications. Membership of the FCEC is defined by article 12.2 of the constitution.

The Federal People Development Committee (FPDC) is responsible for co-ordinating, planning and supervising the training, diversity engagement, and membership recruitment, retention and activation strategies for the Party, in addition to working with Associated Organisations and Specified Associated Organisations to support them in recruiting and maintaining membership, and implementing the Party's policies on diversity. Membership of the FPDC is defined by article 13.3 of the constitution.

The Federal International Relations Committee (FIRC) is responsible for the Party's international liaison. A full list of responsibilities is laid out in article 14.1 of the constitution. Membership of the FIRC is defined by article 14.2 of the constitution.

The Federal Audit and Scrutiny Committee (FASC) are appointed by the Federal Board. The FASC's responsibilities are defined by article 15.2 of the constitution and include the appointment of the Federal Party's auditor including meeting with the auditor and receiving its reports. The membership of the FASC is defined in article 15.3 of the constitution.

The members of the FASC are:

Rosalyn Gordon (Chair – to December 2017)
Helena Cole (Chair – from January 2018)
Roderick Lynch
Jonathan Davies
Simon Shaw
Farid Ahmed
Baroness Sal Brinton*
Tim Farron MP*(to July 2017)
Sir Vince Cable MP* (from July 2017)
Lord Mike German*
Peter Dunphy*

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

Elected representatives

The Party's 12 elected members of the Westminster and 1 member of the European Parliaments are shown at Annex A. In addition there are 98 Liberal Democrat members of the House of Lords, five Liberal Democrat members of the Scottish Parliament, one Liberal Democrat member of the Welsh Assembly and one Liberal Democrat member of the Greater London Authority. As of December 2017 there were approximately 1,789

Liberal Democrat Councillors. There are also two directly elected Liberal Democrat Mayors.

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2017

Staffing

The principal permanent members of staff are:

Chief Executive – Tim Gordon (to August 2017)
Chief Executive – Sir Nick Harvey (from September 2017)
Director of Elections & Campaigns – Shaun Roberts
Director of Operations – Lucy Hope (to June 2017)
Director of Operations – Sian Waddington (from June 2017)
Director of Communications – Phil Reilly (to December 2017)
Director of Communications – Sam Barratt (from December 2017)
Chief Fundraiser – Emma Cherniavsky
Director of People – Rachel Palma Randle (from April 2017)

Accounting units

The Party has 434 accounting units registered with the Electoral Commission.

2. *Review of political activities*

Politics in 2017 will be remembered for Theresa May's decision to call a snap election on 8 June, seeking a bigger Parliamentary mandate for her approach to Brexit. This presented an enormous challenge to the Liberal Democrats, still recovering from a battering in the 2015 election and the appalling outcome of the European referendum in 2016. This impacted not only on our financial resources but also our human resources – which had of necessity been significantly reduced. In the circumstances, the party responded well and galvanised itself to mount as much of a campaign as was realistically possible – recognising that an unforeseen battle is necessarily fought on different lines to one timetabled many years in advance.

While we increased from our Parliamentary seats from 8 to 12, our vote share fell back marginally, and the result has to be counted as a major disappointment. The road to recovery is going to be long and hard, but the resilience of our members and activists remains impressive. Another intriguing legacy of a further major political setback has been a further surge in membership numbers, which broke through the 100,000 yardstick towards the end of the year.

Due to cost pressures, our Autumn Conference in Bournemouth was again a four-day event, which may well need to become the norm. The conference was again well-attended, in particular by new members. The economics of the Spring Conference, held in York in 2017, will need further consideration for the future to see if it can operate on a more cost-effective basis.

Party HQ is now focused on delivering our plan 'Preparing for Battle' which converts the Federal Board strategy into operational working practices, and we are in discussion with those who ran the Canadian Liberal Party's successful recovery to draw lessons which could help us achieve the same.

Policy development

The Liberal Democrats (The Federal Party) Report of the Party Officers for the year ended 31 December 2017

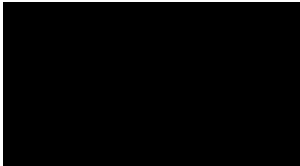
The party continued to develop new policies throughout 2017 with working groups looking at a range of issues including nuclear weapons and sex work, with both policies debated at conference in 2017, and Education and Rural Communities which were prepared for the Spring 2018 conference.

3. *Financial Review*

Following a large surplus of £854,828 in 2016, a budget deficit was forecast in 2017 largely due to the timing of donations, with large donations towards the end of 2016 due to be spent in 2017. The snap General Election impacted on the out-turn figures dramatically with a record level of fundraising during the run-up to the poll but with, of course, a corresponding increase in expenditure. Income during the election period did however exceed expenditure by a small amount.

Major donor income tends to fall off rapidly after elections and 2017 was no exception, and the reduced income from this source led to a higher than forecast deficit for the year. More positively, the large increase in membership over the last two years is now starting to impact on income with the majority of the financial benefit now due to favour the Federal Party. Conference income and Policy Development Fund remain at levels lower than prior to 2015.

The Federal Party ended the year with a deficit of £701,283 which increased our net liabilities at the year end to £744,593. Of this deficit, £744,165 related to the General Fund and surplus of £42,882 related to the Legacy Fund that was launched in 2013.



Peter Dunphy
Registered Treasurer
29 June 2018

The Liberal Democrats (The Federal Party) Statement of Registered Treasurer's responsibilities

The Registered Treasurer of the Party is required by the Political Parties, Elections and Referendums Act 2000 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Party and of its surplus or deficit for that period. In preparing those financial statements, the Registered Treasurer is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Party will continue in business.

Section 41 of the Act requires that the Registered Treasurer is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Party at that time and to enable him to ensure that the financial statements comply with the Act.

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

The Registered Treasurer is also responsible for safeguarding the assets of the Party and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Registered Treasurer has taken all steps he ought to have taken to make himself aware of any information required by the auditor for the purpose of their audit and to establish that the auditor is aware of that information. The Registered Treasurer is not aware of any relevant information of which the auditor is unaware.

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

Opinion

We have audited the financial statements of The Liberal Democrats (The Federal Party) ('The Party') for the year ended 31 December 2017 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Statement of Accounts Guidance Notes issued by the Electoral Commission.

In our opinion, the financial statements:

- give a true and fair view of the state of The Party's affairs as at 31 December 2017 and of its deficit for the year then ended;
- have been properly prepared in accordance with the Statement of Accounts Guidance Notes issued by the Electoral Commission; and
- have been prepared in accordance with the requirements of the Political Parties, Elections and Referendums Act 2000.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of The Party in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Registered Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Registered Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about The Party's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The registered treasurer is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Registered Treasurer

As explained more fully in the statement of Registered Treasurer's responsibilities set out on page 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, and for such internal control as the Registered Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Registered Treasurer is responsible for assessing The Party's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Registered Treasurer intends to liquidate The Party or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

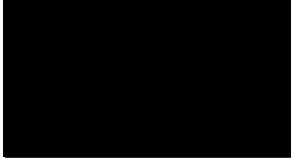
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Use of the audit report

This report is made solely to the Federal Conference of the Liberal Democrats (The Federal Party) as a body in accordance with section 43 of the Political Parties, Elections and Referendums Act 2000. Our audit work has been undertaken so that we might state to the Federal Conference of the Liberal Democrats (The Federal Party) those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Federal Conference of the Liberal Democrats (The Federal Party) as a body for our audit work, for this report, or for the opinions we have formed.

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



29 June 2018

The Liberal Democrats (The Federal Party)
Income and Expenditure Account
For the year ended 31 December 2017

General Fund

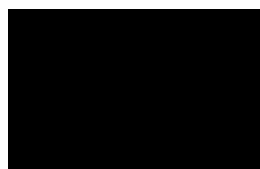
	Note	2017 £	2016 £
Income			
Donations		6,135,605	5,293,721
Membership and subscription fees		1,278,819	971,519
Newspaper income	11	29,184	64,903
Affinity income		42,859	4,684
Policy Development grant	5	432,568	413,885
Conference income	10	545,871	484,690
Interest receivable	6	34	353
Notional income	7	138,649	126,294
Recharges to party bodies	12	991,655	867,108
Other income	8	115,063	296,874
		<u>9,710,307</u>	<u>8,524,031</u>
Expenditure			
Conference expenditure - direct	10	370,543	363,984
Newspaper expenditure	11	41,416	104,589
Fundraising expenditure		65,367	52,667
Depreciation and amortisation	4	64,849	88,091
Campaign expenditure		4,913,718	2,522,284
Staff costs	2	2,933,177	2,710,312
Premises & office costs		1,236,369	1,156,856
Interest payable and similar charges	9	115,422	59,665
Notional expenditure	7	138,649	126,294
Grants to party bodies	13	343,449	342,531
Expenditure recharged from other party bodies		150,709	34,709
Audit fees	4	35,595	38,419
Bad debt provision	26	-	21,994
Other expenditure		45,159	99,306
		<u>10,454,422</u>	<u>7,721,701</u>
General Fund (deficit)/surplus before taxation	4	(744,115)	802,330
Taxation	14	(49)	(21)
General Fund (deficit)/surplus for the year		<u>(744,164)</u>	<u>802,309</u>

The notes on pages 14 to 26 form part of the financial statements

The Liberal Democrats (The Federal Party)
Balance Sheet as at 31 December 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	15		147,523		212,372
Current assets					
Debtors	16	261,519		296,161	
Cash at bank and in hand		<u>33,514</u>		<u>399,568</u>	
		295,033		695,729	
Creditors: amounts falling due within one year	17	<u>(1,087,149)</u>		<u>(851,413)</u>	
Net current liabilities			<u>(792,116)</u>		<u>(155,684)</u>
Total assets less current liabilities			<u>(644,593)</u>		56,688
Creditors: amounts falling due after more than one year	18		<u>(100,000)</u>		<u>(100,000)</u>
Net liabilities			<u>(744,593)</u>		<u>(43,312)</u>
Reserves					
General Fund	19		(1,159,147)		(414,984)
Reserve Fund	19		45,000		45,000
Legacy Fund	19		<u>369,554</u>		<u>326,672</u>
Total deficit			<u>(744,593)</u>		<u>(43,312)</u>

The financial statements were approved by the Federal Finance & Resources Committee on 29 June 2018



Peter Dunphy
Registered Treasurer

The Liberal Democrats (The Federal Party)
Cash Flow Statement
For the year ended 31 December 2017

	Note	2017 £	2016 £
Net cash (outflow) from operating activities	22	(852,778)	(1,209,947)
Returns on investment and servicing of finance			
Interest received		34	353
UK Tax paid		(71)	(21)
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		-	-
(Decrease)/Increase in cash	23	<u>(852,815)</u>	<u>1,210,279</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2017

1 Accounting policies

The Liberal Democrats (The Federal Party) is a federation constituted by the Scottish Liberal Democrats, the Welsh Liberal Democrats (Democratiaid Rhyddfrydol Cymru) and the Liberal Democrats in England (together, the State Parties). The Liberal Democrats in England is a federation of the Regional Parties in England. The Regional Parties comprise a number of Local Parties.

The Liberal Democrats (The Federal Party) is constituted under section 26 of the Political Parties, Elections and Referendums Act 2000 as a central organisation with 454 accounting units. Details of these units are available from party headquarters.

These financial statements deal solely with the activities of the Federal Party as set out in Article 2 of the Constitution of the Federal Party. They do not include the income, expenditure, assets or liabilities of the State, Regional, Local Parties, or any other bodies.

Basis of preparation

The Liberal Democrats (The Federal Party) is not incorporated in law and is thus not bound by the Companies Act 2006. The Party is required to prepare financial statements in accordance with the Political Parties, Elections and Referendums Act 2000 ("PPERA"). The financial statements have been prepared under the historical cost convention, and in accordance with applicable law and the statement of Accounts Guidance Notes issued by Electoral Commission.

Going concern

The Liberal Democrats (The Federal Party) shares a banking facility with certain other Liberal Democrat entities (the "entities"), and there is a right of set off between bank accounts of the entities. The Registered Treasurer has therefore considered the applicability of the going concern basis of preparation of the financial statements by reference to the aggregated financial position of the entities.

The Registered Treasurer has reviewed the aggregated cash flow projections for the entities to the end of June 2019 which indicate that the entities are expected to be able to operate within the currently available bank facility throughout that period.

In addition to stable income in the form of grants and Short and Cranborne moneys, the entities receive income from membership subscriptions and donations. Membership subscription income has been projected based on membership income and renewal levels in prior years. Donation income is inherently unpredictable, and comprises regular payments and ad-hoc donations. The projections include donation income based on an analysis of regular donation income, plus an estimate of ad-hoc donations. The Federal Party also benefits from occasional legacy income but, due to its unpredictable nature, no legacy income has been included in the projections.

While a proportion of the annual expenditure of the entities is fixed in nature, such as accommodation and core staff costs, components such as campaigning can be flexed should circumstance require, for example through a reduction in donation income.

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2017

1 Accounting policies (continued)

The entities have secured a formal £500,000 facility to manage working capital during seasonal fluctuations in cash flows. The facility has been extended, on an informal basis, beyond its formal expiry on 30 June 2018 through to 30 September 2018, with documentation expected to be drawn up in July. The Registered Treasurer has been in discussions with the bank's relationship manager, and on the basis of these discussions expects the facility to be extended at a similar level through to the end of the projection period.

Should the bank not extend the facility at a similar level, or should the level of projected donation and other income not be achieved, the Registered Treasurer would take action to reduce the cost base of the entities, and in doing so to maintain a positive cash balance.

On the basis of the cashflow projections, the Registered Treasurer has a reasonable expectation that Liberal Democrats (The Federal Party) will be able to meet its financial obligations as they fall due for at least 12 months from the date of approval of these financial statements, and that the going concern basis of preparation is therefore appropriate.

The following principal accounting policies have been applied:

Income recognition

Income is recognised when all of the following conditions have been met:

- The Party is entitled to the asset;
- There is reasonable certainty that the asset will be received; and
- The value of the asset can be measured with reasonable certainty.

Applying these criteria to specific types of income results in the following treatment:

- 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. Legacies notified to the Party after 1 August 2013 are included in a separate Legacy Fund.
- 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.

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2017

1 Accounting policies (continued)

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Computer software	-	5 years
Fixtures and fittings	-	10 years

Campaign expenditure

The Party does not provide a breakdown of campaign expenditure between campaigns as the officers believe such an analysis would not be possible, given the continuous expenses incurred on multiple campaigns.

Recharged expenditure

The Federal Party meets the majority of the overheads incurred by the English State Party and some of those incurred by the Parliamentary Office of the Liberal Democrats and the Scottish and Welsh State Parties. These costs are recovered through the Federal Party recharge.

Leased assets

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

Pension benefit

Defined benefit pension scheme:

The Party formerly sponsored the Liberal Headquarters 1975 Retirement Fund. As at the year end the scheme was in surplus and had only one deferred member and no active members. In January 2014 the scheme purchased a deferred annuity for the one remaining member and in June 2014 the Party commenced the winding up of the scheme. It is anticipated that the wind up of the scheme will be completed by the end of 2018.

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

Defined contribution scheme:

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

Tax

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

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2017

2 Employees

	2017 £	2016 £
Staff costs consist of:		
Wages and salaries	2,312,708	2,112,695
Social security costs	239,728	211,397
Other pension costs	189,178	179,427
Other staff costs	234,896	249,257
	<u>2,976,510</u>	<u>2,752,776</u>
Charged to:		
General Fund	2,933,177	2,710,312
Legacy Fund	43,333	42,464
	<u>2,976,510</u>	<u>2,752,776</u>

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

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

2017 Number	2016 Number
68	64
<u> </u>	<u> </u>

3 Registered Party Officers

None of the Registered Officers under PPERA or Committee Chairs received any remuneration in that capacity in 2017 (2016 - £nil).

4 Surplus before taxation

	2017 £	2016 £
The surplus before taxation is stated after charging:		
Auditors' remuneration - audit of financial statements	16,762	16,274
- other regulatory reporting	18,833	19,000
Operating lease charge - property	432,874	312,258
- equipment	9,414	9,184
Depreciation	64,849	88,091
	<u> </u>	<u> </u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2017

5	Grants received		
		2017	2016
		£	£
	Policy development grant	432,568	413,885
		<u>432,568</u>	<u>413,885</u>
6	Investment income		
		2017	2016
		£	£
	Interest receivable	34	353
		<u>34</u>	<u>353</u>
7	Notional income and expenditure		
		2017	2016
		£	£
	Market value of services donated	138,649	126,294
		<u>138,649</u>	<u>126,294</u>
8	Other income		
		2017	2016
		£	£
	Westminster Foundation for Democracy management fee	42,978	63,144
	Events income	4,000	70,112
	Miscellaneous income	68,085	163,618
		<u>115,063</u>	<u>296,874</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2017

9 Interest payable and similar charges

	2017 £	2016 £
Bank charges	106,656	49,830
Interest payable	8,766	9,835
	<u>115,422</u>	<u>59,665</u>

10 Deficit on conferences

	2017 £	2016 £
Income	545,871	484,690
Expenditure		
Direct costs	370,543	363,984
Premises & office costs	22,223	23,612
Staff costs	181,168	162,155
	<u>573,934</u>	<u>549,751</u>
Total expenditure	573,934	549,751
Deficit for the year	<u>(28,063)</u>	<u>(65,061)</u>

11 Deficit on Ad Lib (Liberal Democrat News)

	2017 £	2016 £
Income	29,184	64,903
Expenditure	41,416	104,589
Deficit for the year	<u>(12,232)</u>	<u>(39,686)</u>

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12 Recharges to party bodies

	2017 £	2016 £
Fixed cross charge to State Parties	691,801	686,984
Variable cross charge to State Parties	136,145	24,709
Charges to other party bodies	163,709	155,415
	<u>991,655</u>	<u>867,108</u>

The fixed cross charge represents agreed recharges between the Federal Party and State Parties to cover services provided by the Federal Party. The variable cross charge represents specific invoices paid by Federal Party on behalf of State Parties.

13 Grants to party bodies

	2017 £	2016 £
Grants to Specified Associated Organisations	73,343	68,828
Grants to other party bodies	270,106	273,703
	<u>343,449</u>	<u>342,531</u>

14 Taxation on surplus from ordinary activities

	2017 £	2016 £
Taxation on investment income	49	21
	<u>49</u>	<u>21</u>

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15 Tangible assets

	Computer software £	Fixtures & fittings £	Total £
<i>Cost</i>			
At 1 January 2017	323,415	362,922	686,337
Additions	-	-	-
At 31 December 2017	<u>323,415</u>	<u>362,922</u>	<u>686,337</u>
<i>Depreciation</i>			
At 1 January 2017	280,792	193,173	473,965
Charge for the year	28,554	36,295	64,849
At 31 December 2017	<u>309,346</u>	<u>229,468</u>	<u>538,814</u>
<i>Net book value</i>			
At 31 December 2017	<u>14,069</u>	<u>133,454</u>	<u>147,523</u>
At 31 December 2016	<u>42,623</u>	<u>169,749</u>	<u>212,372</u>

16 Debtors

	2017 £	2016 £
Trade debtors	28,346	65,123
Amounts owed by Liberal Democrat related entities	10,683	19,335
Other debtors	17,681	21,146
Prepayments and accrued income	204,809	190,557
	<u>261,519</u>	<u>296,161</u>

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17 Creditors: amounts falling due within one year

	2017 £	2016 £
Bank overdraft	486,761	-
Amounts owed to Liberal Democrat related entities	133,327	153,763
Trade creditors	111,541	90,466
Other taxation and social security	93,259	84,141
Corporation tax	-	22
Other creditors	120,174	128,962
Accruals and deferred income	142,087	394,059
	<u>1,087,149</u>	<u>851,413</u>

18 Creditors: amounts falling due after more than one year

	2017 £	2016 £
Other loans	100,000	100,000
	<u>100,000</u>	<u>100,000</u>

The other loan is interest free and repayable on 30 June 2019.

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19 Reconciliation of movements in reserves

	General Fund £	Reserve Fund £	Legacy Fund £	Total £	2016 £
At 1 January 2017	(414,983)	45,000	326,672	(43,311)	(898,140)
Surplus/(deficit) for the year	(744,164)	-	42,882	(701,282)	854,828
Transfers between reserves	-	-	-	-	-
At 31 December 2017	<u>(1,159,147)</u>	<u>45,000</u>	<u>369,554</u>	<u>(744,593)</u>	<u>(43,311)</u>

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

The Legacy Fund was established in 2013 to separate the windfall benefit of legacies from the normal activities of the Party. The amount transferred into the fund represents the monies received from legacies notified to the Party since the fund was set up. The intention of the Legacy Fund is to provide an income to the Party and to fund projects for the long term development of the Party.

20 Capital commitments

There are no contracted capital commitments not provided for in the accounts (2016: £nil).

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21 Lease commitments

As at 31 December 2017, the party had annual commitments under non-cancellable contracts as follows:

	2017 £	2016 £	2017 £	2016 £
	Land & Buildings	Land & Buildings	Other	Other
Operating leases which expire:				
Within 1 year	436,050	-	5,459	4,800
Within 2 to 5 years	1,526,175	439,550	21,120	-
After 5 years	-	-	-	-
	<u>1,962,225</u>	<u>439,550</u>	<u>26,579</u>	<u>4,800</u>

22 Net cash inflow/(outflow) from operating activities

	2017 £	2016 £
General Fund (deficit)/surplus before taxation	(744,115)	802,330
Legacy Fund surplus before taxation	42,882	52,519
Depreciation	64,849	88,091
Decrease in debtors	34,642	194,969
(Decrease)/increase in creditors due within one year	(251,002)	72,391
Net cash (outflow)/inflow from operating surplus before tax	<u>(852,744)</u>	<u>1,210,300</u>
Investment income	(34)	(353)
Net cash (outflow)/inflow from operating activities	<u>(852,778)</u>	<u>1,209,947</u>

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

	2017 £	2016 £
(Decrease)/increase in cash in the year	(852,815)	1,210,279
Opening net funds/(debts)	299,568	(910,711)
Closing net (debts)/funds	<u>(553,247)</u>	<u>299,568</u>

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24 Analysis of net funds

	At 1 January 2017 £	Cash flow £	At 31 December 2017 £
Cash at bank and in hand	399,568	(366,054)	33,514
Loans	(100,000)	-	(100,000)
Bank overdraft	-	(486,761)	(486,761)
Net (deficit)/funds	<u>299,568</u>	<u>(852,815)</u>	<u>(553,247)</u>

25 Pensions

The Party formerly sponsored the Liberal Headquarters 1975 Retirement Fund. As at the year end the scheme was in surplus and had only one deferred member and no active members. In January 2014 the scheme purchased a deferred annuity for the one remaining member and in June 2014 the Party commenced the winding up of the scheme. It is anticipated that the wind up of the scheme will be completed by the end of 2017.

Once the scheme is wound up any remaining surplus will be returned to the Party and treated as a return of the additional contributions made.

Other post-retirement benefit schemes

The Federal Party contributes to personal pension schemes held in the names of individual employees. The assets of these schemes are held separately from those of the Federal Party in independently administered funds. The pension cost charge represents contributions payable to these funds and amounted to £189,178 (2016: £179,427). At 31 December 2017, contributions amounting to £21,953 (2016: £19,843) were payable to these funds and are included within other creditors in note 17.

26 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 £9,124 (2016: £11,209).

The Federal Party is related to other bodies within the Liberal Democrats as set out in note 1 above. During the year it received levies from these bodies amounting to £1,278,819 (2016: £971,519) and recharged expenditure totalling £991,655 (2016: £867,108). Expenditure includes grants to party bodies, expenditure recharged to other party bodies and charges from other party bodies totalling £494,158 (2016: £377,240).

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26 Related entity transactions (continued)

The amount owed by related entities at 31 December 2017 was £10,683 (2016: £19,335) and the amount owed to related entities was £133,327 (2016: £153,763).

An amount of nil (2016: £21,994) has been provided against amounts owed by related entities.

Significant balances owed to related entities are as follows:

Middlesborough & East Cleveland Liberal Democrats	£72,000
Liberal Youth	£24,656
Women Liberal Democrats	£12,691

27 Group commitment

At the year-end, the Federal Party forms part of the Liberal Democrats bank overdraft facility with the Liberal Democrats in England and the Parliamentary Office of the Liberal Democrats. At the year-end the net overdraft position is £52,343 (2016: £843,093 surplus).

28 Membership

As at 31 December 2017 there were 97,403 (2016: 78,336) members of the Party.

Elected Representatives

Annex A

As of June 2018 the Party had the following elected representatives

**Westminster
Parliament**

Tom Brake
Alistair Carmichael
Tim Farron
Norman Lamb
Layla Moran
Wera Hobhouse
Christine Jardine
Jamie Stone
Jo Swinson
Sir Vince Cable
Sir Ed Davey
Stephen Lloyd

European Parliament

Catherine Bearder