



The Liberal Democrats (The Federal Party)

Reports and Financial Statements

Year Ended

31 December 2016

"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 2016

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Party Officers

Registered Officers under PPERA

Leader:	Tim Farron MP
Registered Treasurer:	Peter Dunphy
Nominating officer:	Sarah Morris
Campaigns officer:	Tim Gordon

Office Holders:

Deputy campaigns officer:	Adam Stachura
Deputy campaigns officer:	Richard Thomas (to June 2016, no replacement)
Vice President (England):	Steve Jarvis (to December 2016)
English Party Chair:	Liz Leffman (from January 2017)
Vice President (Scotland):	Sheila Thomson
Convenor of the Scottish Party:	Sheila Thomson
Vice President (Wales):	Rodney Berman (to December 2016)
Chair of the Welsh National	Carol O'Toole (from Jan 2017)
Executive Committee:	
Treasurer:	Lord Mike German
Chief Executive:	Tim Gordon
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

Auditor

Mazars LLP, [REDACTED]

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2016

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.

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 – Sal Brinton
Campaigns & Communications – James Gurling
Federal Policy – Tim Farron
Federal Finance & Resources – Peter Dunphy
International Relations – Robert Woodthorpe-Browne
Federal Conference – Andrew Wiseman
Federal Audit and Scrutiny Committee – Rosalyn Gordon

Conference is the sovereign representative body of the Party with the power to determine its policies. In addition to settling 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 6.7 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 & Resources Committee (FFRC) 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

The Liberal Democrats (The Federal Party)

Report of the Party Officers for the year ended 31 December 2016

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 the appointment of the Federal Party's auditor and ensuring that there are adequate financial controls and systems in place. Membership of the FFRC 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 Federal Audit and Scrutiny Committee (FASC) are appointed by the Federal Board. The FASC's responsibilities include; meeting with the auditor and receiving its reports, ensuring compliance with the Party's external regulatory bodies, compliance with any statutory or regulatory provisions related to the Party's activities, and legal compliance with the Political Parties, Elections and Referendums Act 2000 as amended by the Political Parties and Elections Act 2009 and the Electoral Administration Act 2009.

The members of the Federal Audit and Scrutiny Committee are:

Baroness Sal Brinton*
Tim Farron MP*
Lord Mike German*
Roderick Lynch
Rosalyn Gordon
Jonathan Davies
Simon Shaw
Helena Cole
Farid Ahmed

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 102 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 2016 there were approximately 1,820 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 2016

Staffing

The principal permanent members of staff are:

Chief Executive – Tim Gordon
Director of Elections & Field – Hilary Stephenson (to April 2016)
Director of Elections & Campaigns – Shaun Roberts (from June 2016)
Director of Finance & Operations – Nigel Bliss ACA (to March 2016)
Director of Operations – Lucy Hope (from June 2016)
Director of Communications – James Holt (to July 2016)
Director of Communications – Phil Relley (from August 2016)
Chief Fundraiser – Emma Cherniavsky
Director of People – Laura Davies (to Sept 2016)
Director of People – Rachel Palma Randle (from April 2017)

Accounting units

The Party has 454 accounting units registered with the Electoral Commission.

2. *Review of political activities*

2016 was dominated by the UK's decision to leave the European Union. The referendum campaign was a key campaigning focus for the first six months of the year, galvanising the party after the disappointment of the 2015 General Election. Although the result of the referendum was deeply disappointing, the party's unapologetically pro-EU stance helped us to capitalise on the disappointment felt by a significant portion of the population that voted to remain in the EU. The Brexit vote led to our second membership surge in the space of a year, taking our membership to over 80,000, marking an almost doubling of our membership since the 2015 General Election.

The party's electoral fortunes have also taken a turn for the better. We achieved a positive result in the Witney Parliamentary by-election in October, recording a 23% increase in our vote share; before winning the Richmond Park by-election in December, increasing our number of MP's to nine. This success has been matched by clear progress in local authority by-elections, where we gained more councillors than any other party.

Due to cost pressures, Autumn Conference in Brighton was a four-day event in 2016, instead of the usual five days. The conference was well-attended, in particular by new members. The Federal Conference committee have agreed that the 2017 Autumn Conference will be a four-day event too, although this does not necessarily set a precedent that all future Autumn Conferences will be of this length.

2016 was a year of rejuvenation for the Liberal Democrats after a difficult 2015. Increases in our representation at both the local and national level, and in our party membership, give us an excellent springboard for the future.

The Liberal Democrats (The Federal Party) Report of the Party Officers for the year ended 31 December 2016

Conferences

The Party held two conferences during the year:

- Spring
- Autumn

Spring

The 2016 Spring Conference was held in York with debates covering fracking, privacy & security and private renting.

Autumn

The 2016 Autumn Conference was held in Brighton with debates on homelessness, social security and Britain's place in the European Union.

Policy development

The party continued to develop new policies throughout 2016 with working groups looking at a range of issues including nuclear weapons and sex work, with both policies due to be debated at conference in 2017.

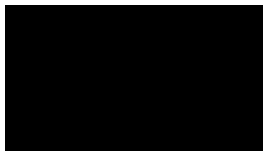
3. *Financial Review*

The Party's finances improved markedly in 2016 compared to 2015. Fundraising income from both digital and major fundraising sources achieved tough targets and some cost savings also helped in achieving a significant surplus.

Conference income has remained a challenge and public funds receipts –Policy Development Grant funding - are still lower than they were during the period before we entered government but adjustments have been made to ensure that the Party operates within its means.

A further large increase in membership following the EU Referendum was, as with 2015, primarily to the financial benefit of the local parties rather than the Federal Party but the increased membership base has provided the Party with a larger pool of potential donors for both regular and specific appeals (e.g. for parliamentary By-Elections campaigns)

The Federal Party recorded a surplus in the year of £854,828 which reduced our net liabilities at the year end to £43,310. Of this surplus, £802,309 related to the General Fund and £52,519 related to the Legacy Fund that was launched in 2013.



Peter Dunphy
Registered Treasurer
29 June 2017

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)

We have audited the financial statements of the Liberal Democrats (The Federal Party) for the year ended 31 December 2016 which comprise the Income and Expenditure Account, 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 the Statement of Accounts Guidance Notes issued by the Electoral Commission.

Respective responsibilities of the Registered Treasurer and auditor

As explained more fully in the Statement of Registered Treasurer's Responsibilities set out on page 7, 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 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 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to The Liberal Democrats (The Federal Party) circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Registered Treasurer; and the overall presentation of the financial statements.

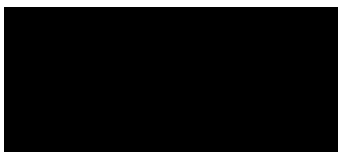
In addition, we read all the financial and non-financial information in the Report of the Party Officers to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

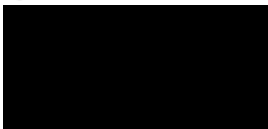
Opinion on the financial statements

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 2016 and of its surplus for the year then ended;
- have been properly prepared in accordance with relevant legislation and 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.



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



30 June 2017

The Liberal Democrats (The Federal Party)
Income and Expenditure Account
For the year ended 31 December 2016

General Fund

	Note	2016 £	2015 £
Income			
Donations		5,293,721	3,713,561
Membership and subscription fees		971,519	808,397
Newspaper Income	11	64,903	72,820
Affinity income		4,684	9,766
Grants	5	413,885	496,290
Conference income	10	484,690	688,350
Investment income	6	353	38
Notional income	7	126,294	166,629
Recharges to party bodies	12	867,108	949,486
Other Income	8	296,874	378,756
		<u>8,524,031</u>	<u>7,284,093</u>
Expenditure			
Conference expenditure - direct	10	363,984	589,547
Newspaper expenditure	11	104,589	108,774
Fundraising expenditure		52,667	158,387
Depreciation and amortisation	4	88,091	98,551
Campaign expenditure		2,522,284	2,903,866
Staff costs	2	2,710,312	3,727,453
Premises & office costs		1,156,856	1,063,133
Interest payable and similar charges	9	59,665	61,644
Notional expenditure	7	126,294	166,629
Grants to party bodies	13	342,531	372,333
Expenditure recharged from other party bodies		24,709	118,920
Charges from other party bodies		10,000	26,000
Audit fees	4	38,419	28,835
Bad debt provision	26	21,994	29,230
Other expenditure		99,306	19,051
		<u>7,721,701</u>	<u>9,472,153</u>
General Fund surplus/(deficit) before taxation	4	802,330	(2,188,060)
Taxation	14	(21)	(8)
General Fund surplus/(deficit) for the year		<u>802,309</u>	<u>(2,188,068)</u>

The notes on pages 14 to 25 form part of the financial statements

The Liberal Democrats (The Federal Party)
Income and Expenditure Account
For the year ended 31 December 2016

Legacy Fund

	Note	2016	2015
		£	£
Income			
Legacies		<u>94,989</u>	<u>597,815</u>
		<u>94,989</u>	<u>597,815</u>
Expenditure			
Grants to party bodies		-	40,000
Staff costs	2	42,464	38,295
Fundraising expenditure		-	6,572
Interest payable and similar charges		<u>6</u>	<u>2</u>
		<u>42,470</u>	<u>84,869</u>
Legacy Fund surplus before taxation		<u>52,519</u>	<u>512,946</u>
Taxation		-	-
Legacy Fund surplus for the year		<u>52,519</u>	<u>512,946</u>
Overall surplus/(deficit)for the year		<u>854,828</u>	<u>(1,675,122)</u>

The Income and Expenditure account has been prepared on the basis that all operations are continuing operations.

There were no recognised gains or losses other than those included in the income and expenditure account.

The Liberal Democrats (The Federal Party)
Balance Sheet as at 31 December 2016

	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	15		212,372		300,463
Current assets					
Debtors	16	296,161		491,130	
Cash at bank and in hand		<u>399,568</u>		<u>21,231</u>	
		695,729		512,361	
Creditors: amounts falling due within one year	17	<u>(851,413)</u>		<u>(1,610,964)</u>	
Net current liabilities			<u>(155,684)</u>		<u>(1,098,603)</u>
Total assets less current liabilities			56,688		(798,140)
Creditors: amounts falling due after more than one year	18		(100,000)		(100,000)
Net liabilities			<u>(43,312)</u>		<u>(898,140)</u>
Reserves					
General Fund	19		(414,984)		(2,367,293)
Reserve Fund	19		45,000		45,000
Legacy Fund	19		<u>326,672</u>		<u>1,424,153</u>
Total deficit			<u>(43,312)</u>		<u>(898,140)</u>

The financial statements were approved by the Federal Finance & Resources Committee on 29 June 2017



Peter Dunphy
Registered Treasurer

The Liberal Democrats (The Federal Party)
Cash Flow Statement
For the year ended 31 December 2016

	Note	2016 £	2015 £
Net cash inflow/(outflow) from operating activities	22	1,209,947	(1,562,779)
Returns on investment and servicing of finance			
Interest received		353	38
UK Tax paid		(21)	-
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		-	(7,697)
Increase/(decrease) in cash	23	<u>1,210,279</u>	<u>(1,570,438)</u>

The notes on pages 14 to 25 form part of the financial statements

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2016

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, and there is a right of set off between bank accounts of those 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 those entities.

The Liberal Democrats (The Federal Party) relies on the receipt of donation income to meet a significant proportion of its expenditure, and an overdraft facility with its banker to meet working capital requirements. Donation income is inherently unpredictable, but the Registered Treasurer is confident that sufficient donations will be received and facilities will continue to be available to allow the entity to meet its financial obligations.

The Registered Treasurer has reviewed the aggregated cash flow projections for the entities to the end of June 2018. On the basis of these projections the Registered Treasurer is satisfied that Liberal Democrats (The Federal Party) will be able to meet its financial obligations as they fall due, and that it is therefore appropriate to prepare the financial statement on a going concern basis.

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2016

1 Accounting policies (continued)

The following principal accounting policies have been applied:

Income recognition

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

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

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

- Donations of monetary assets and liquid investments are recognised in the Income and Expenditure account on receipt. Donations of non-monetary assets 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.

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.

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2016

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 2017.

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.

2 Employees

	2016 £	2015 £
Staff costs consist of:		
Wages and salaries	2,112,695	2,872,248
Social security costs	211,397	287,381
Other pension costs	179,427	198,885
Other staff costs	249,257	407,234
	<u>2,752,776</u>	<u>3,765,748</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2016

Charged to:		
General Fund	2,710,312	3,727,453
Legacy Fund	42,464	38,295
	<u>2,752,776</u>	<u>3,765,748</u>

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

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

2016 Number	2015 Number
64	87
<u>64</u>	<u>87</u>

3 Registered Party Officers

None of the Registered Officers under PPERA or Committee Chairs received any remuneration in that capacity in 2016 (2015 - £nil).

4 Surplus before taxation

2016 £	2015 £
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The surplus before taxation is stated after charging:

Auditors' remuneration	- audit of financial statements	16,274	15,000
	- other regulatory reporting	19,000	13,635
Operating lease charge	- property	312,258	169,587
	- equipment	9,184	13,952
Depreciation		88,091	98,551
		<u>444,707</u>	<u>310,725</u>

5 Grants received

2016 £	2015 £
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Policy development grant	413,885	383,407
Home Office grant for conference security	-	112,883
	<u>413,885</u>	<u>496,290</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2016

6 Investment income

	2016 £	2015 £
Interest receivable	353	38
	<u> </u>	<u> </u>

7 Notional income and expenditure

	2016 £	2015 £
Market value of services donated	126,294	166,629
	<u> </u>	<u> </u>

8 Other income

	2016 £	2015 £
Westminster Foundation for Democracy management fee	63,144	113,536
Events Income	70,112	72,990
Miscellaneous Income	163,618	192,230
	<u>296,874</u>	<u>378,756</u>

9 Interest payable and similar charges

	2016 £	2015 £
Bank charges	49,830	58,127
Interest payable	9,835	3,517
	<u>59,665</u>	<u>61,644</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2016

10 Deficit on conferences

	2016 £	2015 £
Income	484,690	688,350
Expenditure		
Direct costs	363,984	589,547
Premises & office costs	23,612	24,073
Staff costs	162,155	193,701
	<hr/>	<hr/>
Total expenditure	549,751	807,321
Deficit for the year	<hr/> (65,061) <hr/>	<hr/> (118,971) <hr/>

11 Deficit on Ad Lib (Liberal Democrat News)

	2016 £	2015 £
Income	64,903	72,820
Expenditure	104,589	108,774
Deficit for the year	<hr/> (39,686) <hr/>	<hr/> (35,954) <hr/>

12 Recharges to party bodies

	2016 £	2015 £
Fixed cross charge to State Parties	686,984	668,590
Variable cross charge to State Parties	24,709	137,185
Charges to other party bodies	155,415	143,711
	<hr/> 867,108 <hr/>	<hr/> 949,486 <hr/>

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.

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2016

13 Grants to party bodies

	2016 £	2015 £
Grants to Specified Associated Organisations	68,828	60,894
Grants to other party bodies	273,703	311,439
	<u>342,531</u>	<u>372,333</u>

14 Taxation on surplus from ordinary activities

	2016 £	2015 £
Taxation on investment income	21	8
	<u>21</u>	<u>8</u>

15 Tangible assets

	Computer software £	Fixtures & fittings £	Total £
<i>Cost</i>			
At 1 January 2016	323,415	362,922	686,337
Additions	-	-	-
At 31 December 2016	<u>323,415</u>	<u>362,922</u>	<u>686,337</u>
<i>Depreciation</i>			
At 1 January 2016	228,996	156,878	385,874
Charge for the year	51,796	36,295	88,091
At 31 December 2016	<u>280,792</u>	<u>193,173</u>	<u>473,965</u>
<i>Net book value</i>			
At 31 December 2016	<u>42,623</u>	<u>169,749</u>	<u>212,372</u>
At 31 December 2015	<u>94,419</u>	<u>206,044</u>	<u>300,463</u>

The Liberal Democrats (The Federal Party)
Notes forming part of the Financial Statements
For the year ended 31 December 2016

16 Debtors

	2016 £	2015 £
Trade debtors	65,123	6,779
Amounts owed by Liberal Democrat related entities	19,335	267,596
Other debtors	21,146	47,868
Prepayments and accrued income	190,557	168,887
	<u>296,161</u>	<u>491,130</u>

17 Creditors: amounts falling due within one year

	2016 £	2015 £
Bank overdraft	-	831,942
Amounts owed to Liberal Democrat related entities	153,763	117,835
Trade creditors	90,466	102,212
Other taxation and social security	84,141	92,146
Corporation tax	22	21
Other creditors	128,962	176,430
Accruals and deferred income	394,059	290,378
	<u>851,413</u>	<u>1,610,964</u>

18 Creditors: amounts falling due after more than one year

	2016 £	2015 £
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 2018.

The Liberal Democrats (The Federal Party)
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19 Reconciliation of movements in reserves

	General Fund £	Reserve Fund £	Legacy Fund £	Total £	2015 £
At 1 January 2016	(2,367,293)	45,000	1,424,153	(898,140)	776,982
Surplus/(deficit) for the year	802,309	-	52,519	854,828	(1,675,122)
Transfers between reserves	1,150,000	-	(1,150,000)	-	-
At 31 December 2016	<u>(414,984)</u>	<u>45,000</u>	<u>326,672</u>	<u>(43,311)</u>	<u>(898,140)</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.

During the year, a transfer of £1,150,000 was made from the Legacy Fund to the General Fund to make available funds to meet the day to day running of The Liberal Democrats (The Federal Party).

20 Capital commitments

There are no contracted capital commitments not provided for in the accounts (2015: £nil).

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21 Lease commitments

As at 31 December 2016, the party had annual commitments under non-cancellable contracts as follows:

	2016 £	2015 £	2016 £	2015 £
	Land & Buildings	Land & Buildings	Other	Other
Operating leases which expire:				
Within 1 year	-	-	4,800	4,800
Within 2 to 5 years	439,550	259,250	-	-
After 5 years	-	-	-	-
	<u>439,550</u>	<u>259,250</u>	<u>4,800</u>	<u>4,800</u>

22 Net cash inflow/outflow from operating activities

	2016 £	2015 £
General Fund surplus/(deficit) before taxation	802,330	(2,188,060)
Legacy Fund surplus before taxation	52,519	512,946
Depreciation	88,091	98,551
Decrease in debtors	194,969	364,573
Increase/(decrease) in creditors due within one year	72,391	(350,751)
Net cash inflow/(outflow) from operating surplus before tax	<u>1,210,300</u>	<u>(1,562,741)</u>
Investment income	(353)	(38)
Net cash inflow/(outflow) from operating activities	<u>1,209,947</u>	<u>(1,562,779)</u>

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

	2016 £	2015 £
Increase/(decrease) in cash in the year	1,210,279	(1,570,438)
Opening net (debt)/funds	(910,711)	659,727
Closing net funds/(debt)	<u>299,568</u>	<u>(910,711)</u>

The Liberal Democrats (The Federal Party)
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24 Analysis of net funds

	At 1 January 2016 £	Cash flow £	At 31 December 2016 £
Cash at bank and in hand	21,231	378,337	399,568
Loans	(100,000)	-	(100,000)
Bank overdraft	(831,942)	831,942	-
Net (deficit)/funds	<u>(910,711)</u>	<u>1,210,279</u>	<u>299,568</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 £179,427 (2015: £198,885). At 31 December 2016, contributions amounting to £19,843 (2015: £23,346) 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 £11,209 (2015: £7,670).

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 £971,519 (2015: £808,397) and recharged expenditure totalling £867,108 (2015: £949,486). Expenditure includes grants to party bodies, expenditure recharged to other party bodies and charges from other party bodies totalling £377,240 (2015 - £557,253).

Included in newspaper income is an amount of £nil (2015: £21,000) received from the Alliance of Liberals and Democrats for Europe (ALDE) for promoting ALDE in Ad Lib.

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26 Related entity transactions (continued)

The amount owed by related entities at 31 December 2016 was £19,335 (2015: £267,598) and the amount owed to related entities was £153,763 (2015: £117,835).

Significant balances owed by related entities are as follows:

Western Counties Liberal Democrats	£26,115
Westmoreland LP	£10,000

An amount of £21,994 (2015: £29,230) has been provided against amounts owed by related entities.

Significant balances owed to related entities are as follows:

Middlesborough & East Cleveland Liberal Democrats	£78,000
The Liberal Democrats in England	£25,499
Liberal Youth	£18,120
Women Liberal Democrats	£10,087

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 surplus position is £843,093 (2015: £470,841 deficit)

28 Membership

As at 31 December 2016 there were 78,336 (2015 – 60,624) members of the Party.

Elected Representatives

Annex A

As of June 2017 the Party had the following elected representatives

Westminster Parliament

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

European Parliament

Catherine Bearder