

The Labour Party

Financial statements for the year ended 31 December 2020

Contents

Page

2	Treasurers' report
4	Administrative information
6	Statement of Registered Treasurer's responsibilities
7	Independent Auditor's report to the members of the Labour Party
10	Consolidated income and expenditure account
11	Consolidated statements of comprehensive income and changes in equity
12	Consolidated balance sheet
13	Consolidated cash flow statement
14	Notes to the financial statements

Registered Party officers

Leader

Rt Hon Keir Starmer MP

Treasurer

Jennie Formby (resigned 14 May 2020)
David Evans (appointed 29 June 2020)

Nominating Officer

Andrew Whyte

Deputy Treasurer

Rhiannon Evans (resigned 09 August 2020)

Deputy Treasurer

Anna Hutchinson (resigned 25 October 2020)

Deputy Treasurer

Carol Linforth

Deputy Treasurer

Louise Magee (appointed 25 October 2020)

Deputy Treasurer

Simon Mills

Deputy Treasurer

██████████ (appointed 25 October 2020, resigned 18 December 2020)

Deputy Treasurer

Drew Smith (appointed 18 January 2021)

Deputy Treasurer

Niall Sookoo (appointed 25 October 2020, resigned 15 January 2021)

Deputy Treasurer

Andrew Whyte

Registered address

Southside, 105 Victoria Street, London, SW1E 6QT

Treasurers' report

We are pleased to present the financial statements for the year ended 31st December 2020, a year when everything changed as the global pandemic affected every organisation and every individual. COVID19 had a significant impact on the party as we did all we could to protect people's safety and security - operationally, as we adapted to new ways of working, and financially as we adjusted plans in response to the impact of the pandemic.

Party finances were challenged from the very start of the year. The result of the 2019 General Election meant that the allocation of short money was reduced by £1.5M. A significant loss to absorb. Further tests followed throughout the period as a consequence of the lockdown and restrictions. There was pressure on income as at first, fundraising activities were suspended and later, and far more significantly, Annual Conference was cancelled. In addition to being our flagship policy event, the commercial income streams generated by Conference form a key part of our annual budget.

Turning to expenditure, the postponement of the elections scheduled for May 2020 meant that amounts invested in campaigns were lost. There was also the knock-on effect of stretched resources into 2021 as the party contested UK wide elections on a scale unprecedented outside of a General Election. The party also took steps to extend the employment of those staff whose contracts were ending during the pandemic; the cost covered by the party rather than the taxpayer funded Government scheme.

On a far more positive note, party membership reached a new record high in February, at the time of the Leadership contest. We are extremely grateful to all members, both old and new, who continued to give to the party despite the financial uncertainty and huge impact on livelihoods.

However, despite the increase in membership, recognising the impact of COVID19 on income generation, the financial result for the year was a deficit. The first period that the party has incurred a significant and unplanned deficit since 2006. However, we are pleased to report that this was funded through cash reserves and the party remains debt free. The continued uncertainty from COVID19 does though mean that financial pressures remain and these pressures need to be alleviated. A further consequence of COVID19, is that the usual post General Election realignment has been delayed, however it is imperative that the party reverts to its usual reduced mid-election cycle operating model that will sustain our finances on a sound footing.

The pension liability under FRS102 of £1.0M has been determined by the actuaries based on the pension membership information as at 31 December 2020. This is a concerning deterioration following many years of reporting a surplus. Unfortunately, regardless of more favourable market conditions recently experienced, an increase in the deficit is likely to be seen, a direct effect of the government's decision to change a methodology for calculating inflation.

As ever, we will face up to these challenges with robust financial management and a determination to maintain our financial stability in line with the NEC Finance Strategy.

As always, we are deeply grateful for the fantastic assistance and financial support that we receive from our affiliates, both trade unions and socialist societies.

We also thank all activists, members, supporters, elected representatives and staff who have continued in very different circumstances to do all they can for our party and for the country.



David Evans
Registered Treasurer



Diana Holland
Party Treasurer

Administrative information

Review of Political Activities

A detailed review of the Party's political activities during the period covered by the financial statements will be included in the National Executive Committee (NEC)'s Annual Report. The NEC's Annual Report will be available from September 2021.

Committees

The NEC is the governing body of the Labour Party that oversees the overall direction of the Party and the policy-making process. It carries out this role by setting strategic objectives on an annual basis and meeting regularly to review the work of the Party in these areas.

All members of the NEC are members of the National Policy Forum. This body oversees the development of Party policy. It meets throughout the year in full session and through policy commissions presents a report to Annual Conference.

The NEC also has a number of specialist committees and is responsible for upholding the rules of the Party and propriety of Labour selection processes. Details of the principal specialist committees of the NEC are as follows:

Committee	Responsibilities
Business Board	Oversight of the business functions of the organisation including the management of finances.
Joint Policy Committee (JPC)	The JPC is responsible for strategic oversight of the Party's policy development. It oversees the rolling programme, and acts as a steering group for the National Policy Forum (NPF). Jointly convened by the Leader and NEC Co-convenor, it is a joint committee made up of members of the NEC, Government or Shadow Cabinet and NPF.
Equalities Committee	The Committee advises the NEC on steps to increase the Party's membership and representation on elected bodies so as better to reflect the community in terms of gender, ethnicity, age, sexual orientation and disability and to assist and promote the Party's work in combating discrimination in all forms.
Organisation Committee	Responsible for Party rules and constitution; ensures the Party is operating effectively throughout the country to the highest standards; and has overall responsibility for membership, investigations, selections, local government, conferences, electoral law, boundaries strategy and internal elections.
Disputes Panel	Hears membership appeals and re-admission applications; considers Party disputes and conciliation; undertakes minor investigations and local government appeals where referred to the NEC; and conducts hearings and interviews around the country where necessary.
Audit and Risk Management	Responsibility for the Party's risk register and policies to mitigate risks.

Administrative information (cont.)

Elected representatives

The Party's elected representatives at the Westminster and Scottish Parliaments and the Senedd can be found on the Party's websites at: -

<http://www.labour.org.uk/people>

<http://www.scottishlabour.org.uk/people>

http://www.welshlabour.wales/people_pobl

Membership

As at 31 December 2020 the total individual membership of the Party was 523,332 (2019: 532,046).

Accounting units

As at 31 December 2020 the Party had 668 (2019: 669) accounting units registered with the Electoral Commission.

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.

The Registered Treasurer is responsible for keeping proper accounting records which 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 also has delegated responsibility from the National Executive Committee for ensuring that appropriate controls are established for safeguarding the assets of the Party and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's report to the members of the Labour Party

Opinion

We have audited the financial statements of the Labour Party for the year ended 31 December 2020 which comprise the consolidated income and expenditure account, the statements of comprehensive income and changes in equity, the consolidated balance sheet, the consolidated cash flow statement and 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Labour Party's affairs as at 31 December 2020 and of the surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 Labour Party in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The Registered Treasurer is responsible for the other information. The other information comprises the information included in the Treasurer's Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Independent Auditor's report to the members of the Labour Party

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 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 directors determine 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 Labour 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 either intends to liquidate the Labour 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the Labour Party operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Political Parties, Elections and Referendums Act 2000, together with the Financial Reporting Standard applicable in the UK (FRS102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Labour Party's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the Labour Party for fraud.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

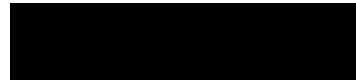
Independent Auditor's report to the members of the Labour Party

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of donation, membership, affiliation and government grant income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the Labour Party's members, 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 Labour Party's members 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 Labour Party and the Labour Party's members as a body, for our audit work, for this report, or for the opinions we have formed.



Crowe U.K. LLP
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

Date 7 July 2021

Consolidated income and expenditure account for the year ended 31 December 2020

		2020	2019
	Notes	£'000	£'000
Income			
Donations		5,679	18,122
Membership		19,316	16,471
Affiliations		5,878	6,090
Fundraising	4	85	259
Commercial income		423	5,139
Legacies		132	172
Interest receivable		28	44
Government grants	5	7,098	7,509
Notional income	6	5	474
Other income		2,916	2,979
Investment Income	7	20	36
Total income		41,580	57,295
Expenditure			
Costs of fundraising		(15)	(40)
Costs of commercial activity		(771)	(4,082)
Notional expenditure	6	(5)	(474)
Running costs	8	(35,447)	(33,232)
Campaign expenditure	9	-	(14,177)
Interest payable	10	(167)	(162)
Grants and payments to CLPs		(4,523)	(3,609)
Other	12	(1,608)	(1,502)
Total expenditure		(42,536)	(57,278)
(Deficit)/surplus from Party activities before taxation	13	(956)	17
Taxation	14	(53)	-
(Deficit)/surplus for the year		(1,009)	17

Statements of comprehensive income and changes in equity for the year ended 31 December 2020

Statement of comprehensive income

	Notes	2020	2019
		£'000	£'000
(Deficit)/surplus for the year		(1,009)	17
Net investment gain		18	186
Asset gains arising during the year		14,214	10,676
Liability (losses) arising during the year	22	(17,406)	(22,527)
Total comprehensive income for the year		(4,183)	(11,648)

Statement of changes in equity

	General	Revaluation reserve	Total
	£'000	£'000	£'000
At 1 January 2019	26,239	1,365	27,604
Surplus for the year	17	-	17
Other comprehensive income:			
Actuarial gain on the pension scheme	(11,851)		(11,851)
Disposal of properties	228	(228)	-
Net investment gain	186	-	186
At 31 December 2019 and 1 January 2020	14,819	1,137	15,956
Deficit for the year	(1,009)	-	(1,009)
Other comprehensive income:			
Actuarial gain on the pension scheme	(3,192)	-	(3,192)
Net investment gain	18		18
At 31 December 2020	10,636	1,137	11,773

Consolidated balance sheet at 31 December 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	15	5,986	5,982
Investments	16	2,340	2,303
		8,326	8,285
Current assets			
Debtors and prepayments	17	3,679	4,489
Cash at bank and in hand		25,773	27,278
		29,452	31,767
Creditors: amounts falling due within one year			
Creditors, accruals and deferred income	18	(13,077)	(15,166)
Development fund loans	25	(11,255)	(11,006)
		(24,332)	(26,172)
Net current assets		5,120	5,595
Total assets less current liabilities		13,446	13,880
Pension liability	22	(1,020)	-
Provisions for liabilities and charges	19	(653)	(387)
Net assets		11,773	13,493
Pension asset	22	-	(2,463)
Reserves			
General	20	10,636	14,819
Revaluation reserve	20	1,137	1,137
		11,773	13,493

The financial statements on pages 10 to 21 were approved by the National Executive Committee on 23rd June 2021 and signed on its behalf by:



David Evans
General Secretary and Registered Treasurer

The Notes on pages 14 to 21 form part of these financial statements.



Diana Holland
Party Treasurer

Consolidated cash flow statement for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
(Deficit)/surplus before tax		(1,009)	17
Adjustments for:			
Finance costs		-	-
Depreciation and impairment charges		106	101
Gain on sale/grant of property		-	(121)
Actuarial gains in pension scheme		272	672
		<u>(631)</u>	<u>669</u>
Movements in working capital			
Decrease / (increase) in trade and other receivables		810	(689)
(Decrease) / increase in trade and other payables		(2,089)	4,685
Increase in provisions for liabilities and charges		266	227
Cash (used) / generated from operations		<u>(1,013)</u>	<u>4,892</u>
Interest paid		<u>-</u>	<u>-</u>
Net cash (used) / generated by operating activities		<u>(1,644)</u>	<u>4,892</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	377
Payments for fixed assets		(110)	(12)
Net cash used in investing activities		<u>(110)</u>	<u>365</u>
Cash flows from financing activities			
Repayments of loans		-	-
Proceeds from new loans		-	-
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		(1,754)	5,257
Cash and cash equivalents at the beginning of the year		<u>16,272</u>	<u>11,015</u>
Cash and cash equivalents at the end of the year		<u>14,518</u>	<u>16,272</u>
Cash and bank balances		25,773	27,278
Development fund loans		(11,255)	(11,006)
Bank overdrafts		-	-
		<u>14,518</u>	<u>16,272</u>

The Notes on pages 14 to 21 form part of these financial statements.

Notes to the financial statements

General information

The Labour Party is a political party registered with the Electoral Commission. The address of its registered office is disclosed on page 1.

The financial statements are presented in sterling, which is also the functional currency of the Party.

1. Accounting policies

The financial statements have been prepared on the basis of historical cost as modified by the revaluation of land and buildings, and are in accordance with applicable accounting standards in the United Kingdom. The financial statements reflect the principles contained in the Statement of Accounts Guidance Notes issued by the Electoral Commission and in existence as at 5 May 2008.

The Party's accounting policies are set out below. These have been applied consistently.

The following principal accounting policies have been applied:

a. Income recognition

Income, which excludes value added tax, 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, including legacies, 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 donation received with an expense of the same amount being recognised at the same time.
- Membership fees are recognised in the income and expenditure account when received
- Government grants are recognised in the year in which the related expenditure is incurred (see note 5).

All other income including affiliation fees is recognised on an accruals basis.

b. Tangible fixed assets

Property assets comprise both freehold and leasehold land and buildings held as functional property or long-term investments by Labour Party Properties Limited.

Functional property is carried at fair value. This is based on the most recent professional valuation (which is carried out at least every five years) or, if recently acquired, at cost, subject to an annual impairment review (carried out by the directors

of Labour Party Properties Limited with the assistance of an expert third Party who is retained throughout the year). In addition, if the annual impairment reviews identify instances where the carrying value is materially different from the fair value then a full valuation will be conducted. Given the maintenance of the properties and the length of their estimated useful lives, or lease term no depreciation is charged as it is considered to be immaterial. The National Executive Committee (NEC) considers that this accounting policy results in the financial statements giving a true and fair view.

Investment properties are measured at fair value annually by the directors of Labour Party Properties Limited with the assistance of an expert third party with any change recognised in the consolidated income and expenditure account.

Long leasehold improvement assets are depreciated on a straight line basis over the period of the lease.

Expenditure on other tangible assets is only considered for capitalisation if it amounts to £10,000 or more and its useful economic life can be reasonably estimated at the year end.

c. Value added tax

The Party is registered for value added tax (VAT) purposes, but it is only liable on chargeable transactions. All items of income and expenditure are shown in the financial statements net of VAT. A partial exemption formula has been agreed with HM Revenue and Customs and VAT has been recovered. The value of VAT that is irrecoverable is included in "Other expenditure" (see note 12).

d. Pension costs

The Labour Party is responsible for the solvency of the Labour Party Superannuation Society, which is a defined benefit pension scheme (see note 22). Pension scheme assets are measured using market values. The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

Any pension scheme surplus (to the extent it is considered recoverable) or deficit is recognised in full and presented on the face of the balance sheet. The movement in the scheme surplus/deficit is split between operating charges, financing items and, in the statement of changes in equity, actuarial gains and losses.

e. Accounting estimates

The preparation of financial statements requires the use of estimates and assumptions about future conditions. This is especially important in the setting of bad and doubtful debt provisions. The NEC believes that it has examined all reasonably available information in assessing the recoverability of debtors and set the provision prudently.

f. Operating leases

Rentals payable and receivable under operating leases are charged or credited to the income and expenditure account on a straight-line basis over the terms of the leases.

Notes to the financial statements

g. Investments

Investments in non-quoted shares are normally valued at cost less provision for impairment.

Where investments are donated to the party the potential fair value is considered and if a reliable fair value can be determined the investment is recognised at its deemed cost, i.e. the fair value at the date of donation. If a sufficiently reliable fair value is not available for donated assets no cost is recognised.

Quoted investments are measured at market value and are revalued each year, with gains/losses being recognised in the statement of comprehensive income and changes in equity.

h. Key judgements and estimates

In the application of the Party's accounting policies, which are described in note 1, the NEC are required to make judgements, estimates, assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects the current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

- Pension liabilities – The Party recognises its asset or liability in respect of its defined benefit pension scheme which involves a number of estimations as disclosed in Note 22.
- Valuation of investment properties– The Party's investment properties are stated at their estimated fair value based on professional valuations as disclosed in Note 15.
- Dilapidation provision – The Party has provided for its possible liability in relation to its leasehold property which has been estimated as disclosed in Note 19.

i. Financial instruments

The Labour Party has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method. Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors. Financial liabilities held at amortised cost comprise bank loans and overdrafts, trade and other creditors.

Investment properties are held at fair value at the Balance Sheet date, with gains and losses being recognised within income and expenditure. Investments in subsidiary undertakings are held at cost less impairment.

At the balance sheet date the Party held financial assets at amortised cost of £27,026,000 (2019: £29,295,000) and Financial liabilities at amortised cost of £24,332,000 (2019: £25,872,000). The Party held financial assets at fair value through the income and expenditure accounts of £2,340,000 (2019: £2,303,000).

2. Basis of preparation

The Labour Party is constituted under section 26 of the Political Parties, Elections and Referendums Act 2000 as a central organisation with accounting units. The consolidated financial statements incorporate the results of the Labour Party central organisation, its subsidiary undertaking Labour Party Properties Limited, the Scottish Labour Party and the Wales Labour Party. The Scottish Labour Party is a separate accounting unit registered with the Electoral Commission and as such is required to file its own financial statements with the Electoral Commission, but as its management is integrated with that of the Labour Party's central organisation it is considered appropriate to reflect its results in the consolidated financial statements. The consolidated financial statements do not include the results of other accounting units registered with the Electoral Commission except where Head Office undertakes accounting on behalf of certain accounting units or bears costs relating to accounting units, which are not then subsequently recharged to the accounting unit.

The income and expenditure account includes the consolidated results of the regional offices of the Labour Party, the Scottish Labour Party and the Wales Labour Party which contributed a deficit of £62,000 (2019: surplus of £195,000) to the result for the year. The consolidated results of the regional offices are produced from accounts that are prepared mainly on a cash accounting basis rather than an accruals basis. It is not considered that restatement of the results on to an accruals basis for the current and prior years would have a material impact on the result for the year.

The financial projections of the Party indicate that the funding to be generated across all income streams will provide sufficient means for the Party to achieve its organisational and political objectives as well as service its debt for the foreseeable future. The risks associated with the Covid-19 outbreak have been considered and factored into the Party's plans. This work has indicated that adequate resources remain in place for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

Campaign expenditure in the consolidated statement of income and expenditure (£nil in 2020, £14,177,000 in 2019) represents the provisional estimate of the Party's expenditure in national elections, as defined by the Political Parties, Elections and Referendums Act 2000 and reported to the Electoral Commission.

Notes to the financial statements

3. Basis of taxation

The Party is treated as an unincorporated association for tax purposes and is therefore liable to corporation tax on its investment income. It also bears tax on any investment transactions that give rise to capital gains

The taxation of each of the subsidiary companies under the control of the NEC is dealt with separately and a corporation tax liability arises on any adjusted income and expenditures as returned to HM Revenue and Customs.

4. Fundraising activities

	2020	2019
	£'000	£'000
Dinners	30	26
Other events	55	233
	<u>85</u>	<u>259</u>

5. Government grants

	2020	2019
	£'000	£'000
Short money	6,641	7,033
Policy Development Grant	457	476
	<u>7,098</u>	<u>7,509</u>

The Electoral Commission provides a Policy Development Grant for expenditure incurred in developing policies for inclusion in the Party's manifestos for elections to the Westminster, Scottish, European Parliament, and the Welsh Assembly and for local government elections in England, Scotland and Wales. Similar grants were payable to all the major political parties.

6. Notional income and expenditure

	2020	2019
	£'000	£'000
This comprises:		
Goods	5	166
Services	-	94
Seconded staff	-	214
	<u>5</u>	<u>474</u>

7. Investment Income

	2020	2019
	£'000	£'000
Dividends Received	20	36
	<u>20</u>	<u>36</u>

8. Running costs

	2020	2019
	£'000	£'000
Staff related expenditure (see Note 11)	23,558	25,856
Building and premises	3,090	2,956
Depreciation and amortisation	106	101
Political activities and publishing	3,594	58
Administration	2,395	848
Finance, IT and telecommunication costs	2,704	3,413
	<u>35,447</u>	<u>33,232</u>

9. Campaign expenditure

	2020	2019
	£'000	£'000
UK General election	-	12,621
European Parliament election	-	1,556
	<u>-</u>	<u>14,177</u>

10. Interest payable

	2020	2019
	£'000	£'000
Development fund loans	167	162
	<u>167</u>	<u>162</u>

Notes to the financial statements

11. Employees

	2020	2019
	£'000	£'000
Staff related expenditure comprises:		
Wages and salaries	17,830	20,156
Social security costs	2,105	2,199
Other pension costs	3,535	3,426
Other costs	88	75
	<u>23,558</u>	<u>25,856</u>

The number of staff employed by the Party during the year comprises:

	Full time	Part time	Total
At 31 December 2020	372	52	424
At 31 December 2019	367	54	421
At 31 December 2018	385	56	441
Average for 2020	382	56	439
Average for 2019	407	101	508

The above figures include both head office and regional staff. The figures also include various persons employed on short-term contracts.

Key management personnel of the Party are members of the senior management and the total employment benefits of that group was £533,000 (2019: £485,000).

12. Irrecoverable VAT

	2020	2019
	£'000	£'000
Irrecoverable VAT expensed in the year	<u>1,522</u>	<u>1,244</u>

Irrecoverable VAT is included within Other Expenditure in the Income & Expenditure Account.

13. Surplus from Party activities before taxation

	2020	2019
	£'000	£'000
This has been arrived at after crediting / (charging):		
Property rentals receivable	<u>129</u>	<u>149</u>
Auditors' remuneration	(80)	(83)
- audit services	(27)	(30)
- non audit services		

Westminster Foundation for

Democracy:

Project funding recognised during the year	(493)	(848)
Project expenditure supported by funding	493	848
Operating lease charge	(1,250)	(873)
- property		
- equipment	(245)	(187)

14. Taxation

	2020	2019
	£'000	£'000
<i>Current taxation</i>		
UK Corporation Tax	26	-
Adjustment for prior year tax payable	27	-
Tax on surplus on Party activities	<u>53</u>	<u>-</u>

The difference between the actual and expected current tax charge is explained below:

	2020	2019
	£'000	£'000
(Deficit)/surplus from Party activities before taxation	(956)	17
Tax on profit/(loss) at 19 % (2019: 19 %)	(182)	3
<i>Effects of:</i>		
Difference between non-taxable income and non-deductible expenses	208	9
Adjustment for prior year tax payable	27	-
Movement in deferred tax not provided	-	(12)
	<u>53</u>	<u>-</u>

If all of the property assets were sold at their balance sheet values it is estimated that a tax liability of £62,000 (2019: £50,000) would arise. However, no sales that may give rise to a significant tax liability are envisaged in the foreseeable future.

A deferred tax liability of £26,000 (2019: £26,000 liability) has not been recognised. This arises primarily from timing differences between the net book value of assets qualifying for capital allowances and their tax written down value.

At 31 December 2020 Labour Party Properties Ltd had approximately £5,000 losses carried forward (2019: £nil).

Notes to the financial statements

15. Tangible assets

	Freehold investment properties	Other freehold & leasehold properties	Office equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 January 2020	3,316	2,427	404	6,147
Additions/(disposals)	25	12	73	110
Revaluation	-	-	-	-
At 31 December 2020	3,341	2,439	477	6,257
Depreciation				
At 1 January 2020	-	-	(165)	(165)
Charge for year	-	-	(106)	(106)
At 31 December 2020	-	-	(271)	(271)
Net book value at 31 December 2020	3,341	2,439	206	5,986
Net book value at 31 December 2019	3,316	2,427	239	5,982

Included in other freehold and leasehold properties are short leasehold properties totalling £nil. The historic cost for all properties is £5,517,000 (2019: £5,480,000). The most recent professional open market valuations were carried out as at 15 May 2019 by Jones Shackel Oldham Chartered Surveyors. Properties are subject to an annual impairment review in accordance with note 1b.

16. Investments

Other fixed asset investments

	2020	2019
	£'000	£'000
Listed & fund investments		
At 1 January 2020	2,303	2,102
Additions / (withdrawals)	19	15
Fair value adjustment	18	186
At 31 December 2020	2,340	2,303

18. Creditors, accruals and deferred income

	2020	2019
	£'000	£'000
Trade creditors	1,592	2,559
Taxation and social security	1,279	1,873
Other creditors	6,651	5,588
Accruals	3,555	5,146
	13,077	15,166

17. Debtors and prepayments

	2020	2019
	£'000	£'000
Trade debtors	938	898
Prepayments	2,426	2,472
Accrued income	-	691
Other debtors	315	428
	3,679	4,489

19. Provisions for liabilities and charges

	2020	2019
	£'000	£'000
Dilapidations	653	387

Notes to the financial statements

20. Reserves

	General	Revaluation reserve	Total
	£'000	£'000	£'000
At 1 January 2020	14,819	1,137	15,956
Deficit for the year	(1,009)	-	(1,009)
Net investment gain	18	-	18
Disposal of properties	-	-	-
Actuarial loss	(3,192)	-	(3,192)
At 31 December 2020	10,636	1,137	11,773

The revaluation reserve comprises both the revaluation gains recognised on functional properties and the fair value gains on investment properties.

Following the disposal of properties in 2019, the revaluation reserve was reviewed and adjusted to correctly reflect the treatment of the revaluations undertaken in recent years on the properties sold along with the other properties still held. This resulted in an update to the revaluation reserve with comparative figures and opening position updated accordingly.

21. Subsidiary companies

The following are the subsidiary companies controlled by the NEC of the Party during 2020:

<i>Name</i>	<i>Nature of business</i>	<i>Country of incorporation</i>	<i>Proportion of voting rights held</i>
Labour Party Properties Limited	Property management and investment	England and Wales	100%
Labour Party Nominees Limited	Property trustee (non trading)	England and Wales	100%

All trading activities of all the Party's subsidiaries are located, and their income generated, entirely in the United Kingdom.

The statutory financial statements of each of the above companies are produced separately to these financial statements.

22. Pension fund

Introduction

The Party sponsors a funded defined benefit pension plan for qualifying UK employees, the Labour Party Superannuation Society. The Society is a multi-employer scheme and the Party is responsible for the majority of the Society liabilities. The disclosures below are in respect of the whole Society. The level of benefits provided by the Society depends on a member's length of service and their salary at their date of leaving the Society.

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Society was carried out by a qualified actuary as at 31 December 2017 and showed a surplus of £8.2M.

Part of the above surplus had been used to enable the Party to continue to pay contributions of 21.4% of pensionable salaries in respect of current accrual, with active members paying a further 6.0% of pensionable salaries. The rate paid by the Party increased to 29% of pensionable salaries with effect from 1 January 2020.

Reporting at 31 December 2020

The results of the latest funding valuation at 31 December 2017 have been adjusted to the new balance sheet date, taking account of experience over the period since 31 December 2017, changes in market conditions, and differences in financial and demographic assumptions. The present value of the Defined Benefit Obligation, and the related current service cost, were measured using the projected unit credit method.

The principal assumptions used to calculate the liabilities under FRS 102 are set out below:

Main Financial Assumptions

	2020	2019
Discount rate for society liabilities	1.30%	1.90%
Rate of general long term increase in salaries	4.50%	4.40%
RPI inflation	2.90%	3.20%
CPI inflation	2.50%	2.40%
Pension increases pre April 1997	0.00%	0.00%
Pension increases April 1997 to April 2005	2.50%	2.40%
Pension increases post April 2005	1.90%	1.90%

The mortality base tables adopted are 103% (2019 103%) of S2PMA tables for males and 109% of S2PFA tables for females, with CMI2017 [Sk=7.5] (2019 CMI2017) projections, and a long term rate of improvement of 1.5% each year.

Under these assumptions, members aged 60 now are expected to live for a further 26.5 years (2019 26.5 years) if they are male and a further 28.2 years (2019 28.2 years) if they are female. Members currently aged 45 are expected to live for a further 27.9 years (2019 27.9 years) from age 60 if they are male and for a further 29.6 years (2019 29.6 years) from age 60 if they are female.

Members are assumed to take 25% of their pension as a tax-free lump sum, using commutation factors currently in force.

Notes to the financial statements

22. Pension fund (continued)

Asset breakdown as at 31 December 2020

	31 December 2020
	£'000
Main asset categories	
Equities	24,944
Property	1,913
Cash	7,288
Growth fund	23,781
Corporate bonds	24,810
Hedging assets	45,391
Total	<u>128,127</u>

Asset breakdown as at 31 December 2019

	31 December 2019
	£'000
Main asset categories	
Equities	12,752
Property	2,268
Cash	3,264
Growth fund	26,362
Corporate bonds	32,988
Hedging assets	32,958
Total	<u>110,592</u>

None of the Society assets are invested in the Party's financial instruments or in property occupied by, or other assets used by, the Party.

Actual return on Society assets

	2020	2019
	£'000	£'000
Interest income on Society assets	2,117	2,714
Gain on Society assets	14,214	10,676
Actual return on Society assets	<u>16,331</u>	<u>13,390</u>

Reconciliation of funded status to balance sheet

	2020	2019
	£'000	£'000
Fair value of Society assets	128,127	110,592
Present value of funded Defined Benefit Obligation	(129,147)	(108,129)
Funded status	<u>(1,020)</u>	2,463
Unrecognised asset	-	-
(Liability)/asset recognised on the balance sheet	<u>(1,020)</u>	<u>2,463</u>

Changes in Defined Benefit Obligation over the year

	2020	2019
	£'000	£'000
Opening Defined Benefit Obligation	108,129	81,696
Current service cost	3,577	2,768
Interest expense on DBO	2,069	2,304
Contributions by Society participants	652	722
Actuarial losses on liabilities	17,406	22,527
Net benefits paid out	(2,686)	(2,231)
Past service cost	-	343
Closing Defined Benefit Obligation	<u>129,147</u>	<u>108,129</u>

Changes to fair value of the Society assets during the year

	2020	2019
	£'000	£'000
Opening fair value of Society assets	110,592	96,682
Interest income on Society assets	2,117	2,714
Gains on Society assets	14,214	10,676
Contributions by the employer	3,681	2,579
Contributions by Society participants	652	722
Net benefits paid out	(2,686)	(2,231)
Administration costs incurred	(443)	(550)
Closing fair value of Society assets	<u>128,127</u>	<u>110,592</u>

Notes to the financial statements

22. Pension fund (continued)

Income & expenditure and comprehensive income

	2020	2019
	£'000	£'000
Operating cost:		
Current service cost	3,577	2,768
Administration expenses	443	550
Past service cost (including curtailments)	-	343
Financing cost:		
Interest on net defined benefit liability/(assets)	(48)	(410)
Expense recognised in income and expenditure	<u>3,972</u>	<u>3,251</u>
Remeasurements in OCI:		
Return on society assets below that recognised in net interest	(14,214)	(10,676)
Liability losses arising during the year	17,406	22,527
Change in effect of the asset ceiling	-	-
	<u>3,192</u>	11,851
Total amount recognised in OCI that recognised in net interest	3,192	11,851
Total amount recognised in income & expenditure and OCI	<u>7,164</u>	<u>15,102</u>

23. Lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2020	2019
	£'000	£'000
Operating leases payable:		
Within one year	1,480	1,425
In the second to fifth years inclusive	1,118	2,517
In more than five years	-	-
	<u>2,598</u>	<u>3,942</u>

The above operating leases relate to lease rental commitments for leasehold land and buildings, equipment and vehicles. Any rent-free periods granted by the lessors have been recognised over the total period of the lease.

24. Reconciliation of the operating (deficit)/surplus to (outflow)/inflow from operating activities

	2020	2019
	£'000	£'000
Operating (deficit)/surplus for the year before taxation	(1,009)	17
Depreciation and impairment charges	106	101
Gain on grant of property	-	(121)
Interest payable	-	-
Increase in trade and other receivables	810	(689)
Increase in trade and other payables	(2,089)	4,685
Actuarial gain on pension scheme	272	672
Interest paid	-	-
Increase/(decrease) in provisions for liabilities and charges	266	227
Net cash flow from operating activities	<u>(1,644)</u>	<u>4,892</u>

25. Related Party transactions

The Party has entered into the following transactions with its affiliated (non-consolidated) accounting units:

	£'000
Development fund loans	
Loans payable at 1 January 2020	11,006
Additional loans made available	351
Loans repaid	(102)
Loans payable at 31 December 2020	<u>11,255</u>

All development fund loans are made available to the Party on commercial terms. Corresponding sums are held in cash deposits.

The Party also provides Constituency Labour Parties, all of which are accounting units, with a proportion of the membership revenues which are raised centrally.