

The Labour Party

Financial statements for the year ended 31 December 2016

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Registered Party officers

Leader:	Rt Hon Jeremy Corbyn MP
Treasurer	Iain McNicol
Nominating Officer	Sophie Goodyear
Deputy Treasurer	Patrick Heneghan
Deputy Treasurer	Carol Linforth
Deputy Treasurer	Louise Magee
Deputy Treasurer	Simon Mills
Deputy Treasurer	Emilie Oldknow
Deputy Treasurer	Brian Roy

Registered address Southside, 105 Victoria Street, London, SW1E 6QT

Treasurers' report

We are pleased to present the financial statements for the year ended 31 December 2016 which show a further strengthening of the Party's financial position.

Income for the year totalled almost £50m, an amount unusually close to that generated in 2015's general election year. Excluding donations, income actually rose by £3m. The key driver of the increasing core income was the continuing surge in new members joining the party. At the end of the year there were over 150,000 more members than at the start, a major achievement.

Despite 2016 following a general election year the reduction in reported expenditure is relatively small. This was due to the number of significant elections contested in the year, notably: the national elections in Scotland and Wales, the Mayoralty and Assembly elections in London, plus the referendum on the UK's membership of the European Union. As with all campaigns, regardless of scale, the NEC's Finance Strategy was adhered to, budgets were allocated based on cash reserves and additional funds raised without recourse to debt.

That strategy led to the reported net result for the year, a surplus of £6.5m. In 2015 we reported the full repayment of the legacy debt over a 10 year period through the robust financial management now embedded in the Party's culture by the Finance Strategy. Additionally, in 2016 the Party cleared all property mortgages; there is now **no** external debt. It should be noted that the '*loans*' reported in these statements represent amounts held on behalf of CLP's with corresponding cash deposits shown as assets.

The huge increase in members, repayment of the debt, together with continued financial management maximising the value derived from all expenditure and contracts, have all combined to transform the Party's financial outlook. Net assets at the end of the year were £11m, an increase of £6m over the previous year. As reported at Annual Conference 2016, funds would be ring-fenced year on year for the next general election – "a general election trust fund". Not so long ago, this would have been unthinkable. As we now know, that general election came earlier than expected. The reserves held from 2016 meant that the Party was able to react to the announcement by immediately allocating funds to key activities and seats in 2017 (this will be covered in detail in the 2017 report).

Each year this report includes a note of caution due to the challenges ahead and this year is no exception. The Trade Union Act is now effective and in addition to the attack on the wider trade union movement and the rights of workers, we must not ignore the significant impact that it will have on the Party's future finances. Action by our movement means the changes imposed on trade unions may not create the cliff edge that we feared, however, over a period of years the ability of unions to support the Party financially will be significantly curtailed. It is imperative that we address this and continue to manage our finances now to mitigate the threats of the future.

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

We would also like to thank all activists, members, supporters, elected representatives and staff who worked and campaigned so hard.

Finally, the Party is extremely grateful for the incredible financial support that it receives each and every year and we must thank all donors. Whatever the size, all gifts help us to make a difference.


Ian McNicol
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 that will be submitted to the 2017 Annual Conference for its agreement. The NEC's Annual Report will be available from September 2017.

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, Agenda 2020, 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, Scottish and European Parliaments and the National Assembly for Wales can be found on the Party's websites at: -

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

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

<http://www.eurolabour.org.uk/your-meps>

http://www.welshlabour.wales/people_pobl

Membership

As at 31 December 2016 the total individual membership of the Party was 543,645 (2015: 388,262).

Accounting units

As at 31 December 2016 the Party had 664 (2015: 667) 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

Independent Auditor's Report to the Members of the Labour Party

We have audited the financial statements of the Labour Party for the year ended 31 December 2016 which comprise the Consolidated Income and Expenditure Account, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses, and the related notes numbered 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and FRS102, The Financial Reporting Standard in the UK and Republic of Ireland.

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.

Respective responsibilities of the Registered Treasurer and auditor

As explained more fully in the Statement of Registered Treasurer's Responsibilities, 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.

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 Labour Party's 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 Treasurers' Report 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 members of the Labour Party

Opinion on financial statements

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 2016 and of its surplus for the year then ended;
- have been properly prepared in accordance with FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ; and
- have been prepared in accordance with the requirements of the Political Parties, Elections and Referendums Act 2000.


Crowe Clark Whitehill LLP

Statutory Auditor
London

5.7.17

Consolidated income and expenditure account for the year ended 31 December 2016

		2016	2015
	Notes	£'000	£'000
Income			
Donations		14,665	19,223
Membership		14,393	9,532
Affiliations		6,383	6,377
Fundraising	4	209	437
Commercial income		2,942	4,413
Legacies		224	178
Interest receivable		19	27
Government grants	5	6,093	6,930
Notional income	6	357	193
Other income		4,522	3,839
Investment Income	7	33	4
Total income		49,840	51,153
Expenditure			
Costs of fundraising		(101)	(180)
Costs of commercial activity		(1,868)	(2,933)
Notional expenditure	6	(357)	(193)
Running costs	8	(29,336)	(26,249)
Campaign expenditure	9	(5,439)	(12,205)
Interest payable	10	(418)	(479)
Grants and payments to CLPs		(3,527)	(2,054)
Other	12	(2,278)	(2,496)
Total expenditure		(43,324)	(46,789)
Surplus from Party activities before taxation	13	6,516	4,364
Taxation	14	-	-
Surplus for the year		6,516	4,364

Statements of comprehensive income and changes in equity for the year ended 31 December 2016

Statement of comprehensive income

	Notes	2016	2015
		£'000	£'000
Surplus for the year		6,516	4,364
Net investment gain		10	-
Asset (losses)/gains arising during the year		17,539	(624)
Liability gains/(losses) arising during the year	24	(17,541)	4,131
Total comprehensive income for the year		6,524	7,871

Statement of changes in equity

	General	Revaluation reserve	Total
	£'000	£'000	£'000
At 1 January 2015	10,077	645	10,722
Surplus for the year	4,364	-	4,364
Disposal of properties	40	(40)	-
Other comprehensive income:			
Actuarial gain/(loss) on the pension scheme	3,507	-	3,507
At 31 December 2015 and 1 January 2016	17,988	605	18,593
Surplus for the year	6,516	-	6,516
Disposal of properties	50	(50)	-
Other comprehensive income:			
Actuarial gain/(loss) on the pension scheme	(2)	-	(2)
Net investment gain	10		10
At 31 December 2016	24,562	555	25,117

The Notes on pages 12 to 20 form part of these financial statements

Consolidated balance sheet at 31 December 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	15	5,668	5,699
Investments	16	204	-
		<u>5,872</u>	<u>5,699</u>
Current assets			
Debtors and prepayments	17	3,473	2,916
Cash at bank and in hand		19,918	11,939
		<u>23,391</u>	<u>14,855</u>
Creditors: amounts falling due within one year			
Creditors, accruals and deferred income	18	(9,304)	(5,108)
Development fund loans		(8,855)	(9,204)
Overdrafts and short term loans		-	(121)
		<u>(18,159)</u>	<u>(14,433)</u>
Net current assets /(liabilities)		<u>5,232</u>	<u>422</u>
Total assets less current liabilities		<u>11,104</u>	<u>6,121</u>
Creditors: amounts falling due after more than one year	19	-	(993)
Provisions for liabilities and charges	21	-	(26)
Net assets		<u>11,104</u>	<u>5,102</u>
Pension asset	24	(14,013)	(13,491)
Reserves			
General	22	24,562	17,988
Revaluation reserve	22	555	605
		<u>11,104</u>	<u>5,102</u>

The financial statements on pages 8 to 20 were approved by the National Executive Committee on 3.7.2017
and signed on its behalf by:

Iain McNicol
General Secretary and Registered Treasurer
The Notes on pages 12 to 21 form part of these financial statements.

Diana Holland
Party Treasurer

Consolidated cash flow statement for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Surplus before tax		6,516	4,364
Adjustments for:			
Finance costs		181	247
Depreciation and impairment charges / (gains)		-	185
Profit on disposal of property		(85)	(66)
Actuarial gains in pension scheme		(524)	(26)
		<u>6,088</u>	<u>4,704</u>
Movements in working capital			
Increase in trade and other receivables		(557)	(754)
Increase / (Decrease) in trade and other payables		4,196	(868)
Decrease in provisions for liabilities and charges		(26)	(11)
Cash generated from operations		<u>9,701</u>	<u>3,071</u>
Interest paid		<u>(181)</u>	<u>(247)</u>
Net cash generated by operating activities		<u>9,520</u>	<u>2,824</u>
Cash flows from investing activities			
Proceeds from sale of property		85	276
Payments for fixed assets		(213)	-
Net cash used in investing activities		<u>(128)</u>	<u>276</u>
Cash flows from financing activities			
Repayments of loans		(1,114)	(1,085)
Proceeds from new loans		171	-
Net cash used in financing activities		<u>(943)</u>	<u>(1,085)</u>
Net increase in cash and cash equivalents		8,449	2,015
Cash and cash equivalents at the beginning of the year		<u>2,614</u>	<u>599</u>
Cash and cash equivalents at the end of the year		<u>11,063</u>	<u>2,614</u>
Cash and bank balances		19,918	11,939
Development fund loans		(8,855)	(9,204)
Bank overdrafts		-	(121)
		<u>11,063</u>	<u>2,614</u>

The Notes on pages 12 to 20 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.

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of its realisable value and value in use.

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 23). 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

Notes to the financial statements

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.

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.

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 23.
- 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 20.

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 £14,436,000 (2015: £14,436,000) and Financial liabilities at amortised cost of £18,138,000 (2015: £15,426,000).

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 £30,000 (2015: surplus of £246,000) 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. Accordingly the financial statements have been prepared on a going concern basis.

Campaign expenditure in the consolidated statement of income and expenditure (£5,439,000 in 2016, £12,205,000 in 2015) represents 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. No deferred tax is recognised in the Party's individual accounts as any investment income is taxed on the same basis as it is recognised in the income and expenditure account.

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. Deferred tax balances arising in subsidiary companies are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the subsidiary anticipates to make sufficient taxable income and expenditures in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

4. Fundraising activities

	2016	2015
	£'000	£'000
Dinners	84	222
Other events	125	215
	<u>209</u>	<u>437</u>

5. Government grants

	2016	2015
	£'000	£'000
Short money	6,003	6,207
Policy Development Grant	90	723
	<u>6,093</u>	<u>6,930</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

	2016	2015
	£'000	£'000
This comprises:		
Goods	43	57
Services	81	91
Seconded staff	<u>233</u>	<u>45</u>

7. Investment Income

	2016	2015
	£'000	£'000
Dividends Received	33	4
	<u>33</u>	<u>4</u>

8. Running costs

	2016	2015
	£'000	£'000
Staff related expenditure (see Note 11)	16,955	17,261
Building and premises	2,106	2,581
Depreciation and amortisation	-	92
Political activities and publishing	4,294	2,156
Administration	1,577	1,470
Finance, IT and telecommunication costs	4,404	2,689
	<u>29,336</u>	<u>26,249</u>

9. Campaign expenditure

	2016	2015
	£'000	£'000
UK General election	-	12,205
Scottish Parliament election	338	-
National Assembly for Wales election	256	-
EU referendum	4,845	-
	<u>5,439</u>	<u>12,205</u>

10. Interest payable

	2016	2015
	£'000	£'000
Bank loans	103	118
Other loans	78	129
Development fund loans	237	232
	<u>418</u>	<u>479</u>

Notes to the financial statements

11. Employees

	2016 £'000	2015 £'000
Staff related expenditure comprises:		
Wages and salaries	13,809	14,678
Social security costs	1,456	1,493
Other pension costs	1,580	908
Other costs	110	182
	<u>16,955</u>	<u>17,261</u>

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

	Full time	Part time	Total
At 31 December 2016	289	54	343
At 31 December 2015	286	49	335
At 31 December 2014	327	57	384
Average for 2016	294	63	357
Average for 2015	340	93	433

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 £561,000 (2015: £530,000).

12. Irrecoverable VAT

	2016 £'000	2015 £'000
Irrecoverable VAT expensed in the year	<u>2,103</u>	<u>2,135</u>

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

13. Surplus from Party activities before taxation

	2016 £'000	2015 £'000
This has been arrived at after crediting / (charging):		
Property rentals receivable	<u>112</u>	<u>132</u>
Auditors' remuneration		
- audit services	(89)	(70)
- non-audit services	(32)	(15)
Operating lease charge		
- property	(888)	(424)
- equipment	<u>(288)</u>	<u>(288)</u>

14. Taxation

	2016 £'000	2015 £'000
Current taxation		
UK Corporation Tax	-	-
Tax on surplus on Party activities	<u>-</u>	<u>-</u>

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

	2016 £'000	2015 £'000
Surplus from Party activities before taxation	<u>6,516</u>	<u>4,364</u>
Tax on profit at 20% (2015: 20%)	<u>1,303</u>	<u>884</u>
Effects of:		
Difference between non-taxable income and non-deductible expenses	(1,267)	(945)
Movement in deferred tax not provided	<u>(36)</u>	<u>61</u>
	<u>-</u>	<u>-</u>

If all of the property assets were sold at their balance sheet values it is estimated that any tax liability would be extinguished by available indexation allowances.

Notes to the financial statements

15. Tangible assets

	Long leasehold improvements	Freehold investment properties	Other freehold & leasehold properties	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 January 2016	-	2,923	2,776	5,699
Additions		19	-	19
Disposals	-	(50)	-	(50)
At 31 December 2016	-	2,892	2,776	5,668
Depreciation				
At 1 January 2016	-	-	-	-
Disposals	-	-	-	-
At 31 December 2016	-	-	-	-
Net book value at 31 December 2016	-	2,892	2,776	5,668
Net book value at 31 December 2015	-	2,923	2,776	5,699

Included in other freehold and leasehold properties are short leasehold properties totalling £103,000. The historic cost for all properties is £5,113,000 (2015: £5,094,000). The most recent professional open market valuations were carried out as at 30 April 2014 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

	2016	2015
	£'000	£'000
Listed investments		
At 1 January 2016	-	-
Additions	194	-
Fair value adjustment	10	-
At 31 December 2016	204	-

17. Debtors and prepayments

	2016	2015
	£'000	£'000
Trade debtors	1,114	1,208
Prepayments	1,653	418
Accrued income	294	434
Other debtors	412	856
	3,473	2,916

18. Creditors, accruals and deferred income

	2016	2015
	£'000	£'000
Trade creditors	1,862	977
Taxation and social security	987	814
Other creditors	3,593	1,825
Accruals	2,862	1,492
	9,304	5,108

19. Creditors: amounts falling due after more than one year

	2016	2015
	£'000	£'000
Bank loans	-	993
	-	993
of which payable:		
In one to two years	-	101
In two to five years	-	272
In more than five years	-	620
	-	993

Notes to the financial statements

The bank loans were secured on the properties held by Labour Party Properties Limited.

Bank loans comprise:	Maturity date	Effective interest rate	Carrying amount £'000
Floating rate loan	2026	2.5% over base	983
Floating rate loan	2017	2% over base	10

20. Deferred tax

If all of the property assets were sold at their balance sheet values it is estimated that any tax liability would be extinguished by available indexation allowances.

A deferred tax asset of £38,000 (20%) (2015: £75,000) has not been recognised. This asset arises primarily from the availability of losses incurred. The asset relating to the losses will be recoverable when sufficient profits have been generated in the foreseeable future to utilise those losses. At 31 December 2016 approximately £328,000 of losses were carried forward (2015: £500,000).

21. Provisions for liabilities and charges

	2016 £'000	2015 £'000
Dilapidations	-	26

22. Reserves

	General £'000	Revaluation reserve £'000	Total £'000
At 1 January 2016	17,988	605	18,593
Surplus for the year	6,516	-	6,516
Net investment gain	10		10
Disposals	50	(50)	-
Actuarial gain	(2)	-	(2)
At 31 December 2016	24,562	555	25,117

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

23. Subsidiary companies

The following are the subsidiary companies controlled by the NEC of the Party during 2016:

Name	Nature of business	Country of incorporation	Proportion of voting rights held
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.

24. Pension fund

The Labour Party Superannuation Society is a funded Society of the defined benefit type providing retirement benefits based on final salary. The assets of the scheme, known as the Labour Party Superannuation Society, are held separately from those of the Party.

The contributions of the Party and the employees are 21.4 per cent and 6 percent of salaries respectively.

Regular employer contributions to the Society for the year starting 1 January 2017 are estimated to be £2.1M. Additional employer contributions might be required if there are redundancies or benefit augmentations during the year.

The valuation for the FRS 102 disclosures has been based on a full assessment of the liabilities of the Society as at 31 December 2014.

The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

Notes to the financial statements

24. Pension fund (continued)

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

Main Financial Assumptions

	2016	2015
Discount rate for society liabilities	2.70%	3.85%
Rate of general long term increase in salaries	4.25%	4.10%
RPI inflation	3.25%	3.10%
CPI inflation	2.25%	2.10%
Pension increases pre April 1997	0.00%	0.00%
Pension increases April 1997 to April 2005	2.30%	2.1%
Pension increases post April 2005	1.90%	1.80%

The assumption for post retirement mortality is in line with the standard S2 SAPS tables making an allowance for improvements in longevity in line with the CMI 2014 Core Projections and a long term rate of improvement of 1.5% each year for both men and women with average scaling factors of 104% for males and 109% for females.

Under these assumptions, members aged 60 now are expected to live for a further 27.2 years if they are male and a further 29.0 years if they are female. Members currently aged 45 are expected to live for a further 28.9 years from age 60 if they are male and for a further 30.8 years from age 60 if they are female.

Asset breakdown as at 31 December 2016

	31 December 2016	
Main asset categories		%
	£'000	
Equities	20,310	22%
Delegated Growth Fund	-	
Fixed int Govt bonds	-	
Index linked Govt bonds	-	
Property	3,028	3%
Other	3,319	4%
Absolute return asset fund	13,276	14%
Corporate bonds	8,059	8%
Hedging assets	46,227	49%
Total	94,219	100%

Asset breakdown as at 31 December 2015

	31 December 2015	
Main asset categories		%
	£'000	
Equities	15,808	22%
Delegated Growth Fund	14,068	19%
Fixed int Govt bonds	5,141	7%
Index linked Govt bonds	30,309	41%
Property	6,335	9%
Other	1,668	2%
Total	73,329	100%

Actual return on Society assets

	2016	2015
	£'000	£'000
Interest income on Society assets	2,833	2,641
Actuarial (loss)/gain on Society assets	17,539	(624)
Actual return on Society assets	20,372	2,107

Reconciliation of funded status to balance sheet

	2016	2015
	£'000	£'000
Fair value of Society assets	94,219	73,329
Present value of funded defined benefit obligations	(80,206)	(59,838)
Funded status	14,013	13,491
Unrecognised asset	0	0
Asset recognised on the balance sheet	14,013	13,491

Notes to the financial statements

24. Pension fund (continued)

Changes to the present value of the defined benefit obligation during the year

	2016 £'000	2015 £'000
Opening defined benefit obligation	59,838	61,213
Current service cost	1,519	1,657
Interest expense on DBO	2,311	2,272
Contributions by members	587	668
Actuarial (gains)/losses on liabilities*	17,541	(4,131)
Net benefits paid out	(1,721)	(1,841)
Past service cost	131	0
Closing defined benefit obligation	80,206	59,838

* Includes changes to the actuarial assumptions.

Changes to the fair value of the Society assets during the year

	2016 £'000	2015 £'000
Opening fair value of Society assets	73,329	71,171
Interest income on Society assets	2,833	2,641
Actuarial (loss)/gain on Society assets	17,539	(624)
Contributions by the Sponsor	2,024	1,680
Contributions by Society participants	587	668
Net benefits paid out	(1,721)	(1,841)
Administration costs incurred	(372)	(366)
Closing fair value of Society assets	94,219	73,329

Amounts recognised in income and expenditure account

	2016 £'000	2015 £'000
Operating cost:		
Current service cost	1,519	1,657
Administration expenses	372	366
Past service cost	131	0
Financing cost:		
Interest on net defined benefit liability/(asset)	(522)	(369)
Expense recognised in income and expenditure	1,500	1,654

25. Lease commitments

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

	2016 £'000	2015 £'000
Operating leases payable:		
Within one year	1,307	654
In the second to fifth years inclusive	5,035	2,887
In more than five years	953	1,053
	7,295	4,594

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.

26. Reconciliation of the operating surplus to inflow from operating activities

	2016 £'000	2015 £'000
Operating surplus for the year before taxation	6,516	4,364
Depreciation and impairment charges	-	185
Profit on disposal of property	(85)	(66)
Interest payable	181	247
Increase in trade and other receivables	(557)	(754)
(Decrease)/increase in trade and other payables	4,196	(868)
Actuarial gain on pension scheme	(524)	(26)
Interest paid	(181)	(247)
Decrease in provisions for liabilities and charges	(26)	(11)
Net cash flow from operating activities	9,520	2,824

Notes to the financial statements

27. 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 2016	9,204
Additional loans made available	171
Loans repaid	(520)
Loans payable at 31 December 2016	<u>8,855</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.