

The Labour Party

Financial statements for the year ended 31 December 2017

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Registered Party officers

Leader:	Rt Hon Jeremy Corbyn MP
Treasurer	Iain McNicol (resigned 11 April 2018) Jennie Formby (appointed 11 April 2018)
Nominating Officer	Andrew Whyte
Deputy Treasurer	Anna Hutchinson
Deputy Treasurer	Carol Linforth
Deputy Treasurer	Louise Magee
Deputy Treasurer	Simon Mills
Deputy Treasurer	Emilie Oldknow (resigned 14 June 2018)
Deputy Treasurer	Brian Roy

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

Treasurers' report

We are delighted to present the financial statements for the year 1 January to 31 December 2017. A year of continued financial and membership growth and a general election. A report which highlights the benefits of being a mass membership party coupled with stringently following our financial management strategy.

Repayment of debt and continual growth in membership since 2015 meant that for the first time in generations the party was able to build reserves – termed the general election trust fund. The aim was to build a fund of £10 million by the next general election – a target we obviously did not reach, as, despite months of denials, a snap general election was called. However, for the first time, the party was able to immediately allocate £millions of cash reserves, set aside for a future general election, to priority campaign activities and seats. This would have been impossible only a few short years ago, but we did it, and we are resolute in our commitment to be ready to do it again.

Of course, the 2017 general election campaign was not funded by reserves alone. The success of our online fundraising strategy far exceeded our achievements during the general election in 2015, as we continued to learn how to reach out to members and supporters. In one single day, this campaign generated donations of £0.5 million – the most successful day of online fundraising in UK political history. An amazing show of solidarity was also received from our affiliated trade unions – millions of pounds were donated despite the limited time available to replenish political funds, with the election coming so soon after 2015. While we did not win the general election the outcome was much closer than many predicted and we were able to remove the Tories' outright majority.

Not only did supporters donate during the campaign, they joined the party in their thousands. Greater support through membership generates greater income, in turn allowing greater engagement. It is vital that all members, both long-standing members and those who have joined more recently, are fully engaged as an integral part of our party. The success of our membership retention and growth strategies, along with financial discipline, is critical to the continuing success of our long-term finance strategy. Despite the important changes Labour achieved, our finance strategy now also has to include the negative impact, over time, of the Trade Union Act provisions covering political funds, which have now come into force.

Our 2017 report remains, however, overwhelmingly positive. Despite allocation of funds to the general election campaign, the growth in both membership and commercial income streams ensured that we ended the year in surplus. Net assets at the end of the year were £13 million, an increase of £2 million over the previous year. This includes cash reserves of £3 million - funds which can now be held for future campaigns including the next general election and the start of a new general election trust fund.

The Labour Party achieves so much through the hard work of activists, staff and elected representatives and the commitment and generosity of members, supporters and affiliates, both trade unions and socialist societies. We would like to thank each and every one for their wonderful efforts, all that they have done and continue to do. We also extend our thanks and best wishes to Iain McNicol who, throughout his 7 years as General Secretary, ensured that the established financial stability was not risked and the NEC's Finance Strategy continued to be adhered to.

Finally, as we have said many times before, we will ensure that the Finance Strategy of the party is fully adhered to, never reverting to the days of no financial responsibility, so that our party has the funds to fight and win elections and to deliver "for the many not the few"

Jennie Formby
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 2018 Annual Conference for its agreement. The NEC's Annual Report will be available from September 2018.

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, 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 2017 the total individual membership of the Party was 564,443 (2016: 543,645).

Accounting units

As at 31 December 2017 the Party had 669 (2016: 664) 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 2017 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 2017 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

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

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

Other information

The Registered Treasurer is responsible for the other information. The other information comprises the information included in the 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 identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements

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

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 5, 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.

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.

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 3 July 2018

Consolidated income and expenditure account for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Income			
Donations		18,263	14,665
Membership		16,165	14,393
Affiliations		6,203	6,383
Fundraising	4	244	209
Commercial income		4,227	2,942
Legacies		129	224
Interest receivable		14	19
Government grants	5	7,427	6,093
Notional income	6	347	357
Other income		2,726	4,522
Investment Income	7	48	33
		<hr/>	<hr/>
Total income		55,793	49,840
Expenditure			
Costs of fundraising		(123)	(101)
Costs of commercial activity		(3,215)	(1,868)
Notional expenditure	6	(347)	(357)
Running costs	8	(32,950)	(29,336)
Campaign expenditure	9	(11,012)	(5,439)
Interest payable	10	(153)	(418)
Grants and payments to CLPs		(3,248)	(3,527)
Other	12	(3,294)	(2,278)
		<hr/>	<hr/>
Total expenditure		(54,342)	(43,324)
		<hr/>	<hr/>
Surplus from Party activities before taxation	13	1,451	6,516
		<hr/>	<hr/>
Taxation	14	-	-
		<hr/>	<hr/>
Surplus for the year		1,451	6,516

Statements of comprehensive income and changes in equity for the year ended 31 December 2017

Statement of comprehensive income

	Notes	2017	2016
		£'000	£'000
Surplus for the year		1,451	6,516
Net investment gain		33	10
Asset gains arising during the year		2,473	17,539
Liability (losses) arising during the year	22	(1,595)	(17,541)
Total comprehensive income for the year		2,362	6,524

Statement of changes in equity

	General	Revaluation reserve	Total
	£'000	£'000	£'000
At 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 (loss) on the pension scheme	(2)	-	(2)
Net investment gain	10	-	10
At 31 December 2016 and 1 January 2017	24,562	555	25,117
Surplus for the year	1,451	-	1,451
Other comprehensive income:			
Actuarial gain on the pension scheme	878	-	878
Net investment gain	33	-	33
At 31 December 2017	26,924	555	27,479

Consolidated balance sheet at 31 December 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	15	5,808	5,668
Investments	16	5,037	204
		<u>10,845</u>	<u>5,872</u>
Current assets			
Debtors and prepayments	17	3,561	3,473
Cash at bank and in hand		18,267	19,918
		<u>21,828</u>	<u>23,391</u>
Creditors: amounts falling due within one year			
Creditors, accruals and deferred income	18	(10,128)	(9,304)
Development fund loans	25	(9,056)	(8,855)
Overdrafts and short term loans		-	-
		<u>(19,184)</u>	<u>(18,159)</u>
Net current assets		<u>2,644</u>	<u>5,232</u>
Total assets less current liabilities		13,489	11,104
Creditors: amounts falling due after more than one year			
Provisions for liabilities and charges	19	(160)	-
Net assets		<u>13,329</u>	<u>11,104</u>
Pension asset	22	(14,150)	(14,013)
Reserves			
General	20	26,924	24,562
Revaluation reserve	20	555	555
		<u>13,329</u>	<u>11,104</u>

The financial statements on pages 8 to 19 were approved by the National Executive Committee on 20 June 2018 and signed by the Treasurer and General Secretary on 20 June 2018.

Jennie Formby
General Secretary and Registered Treasurer
The Notes on pages 12 to 19 form part of these financial statements

Diana Holland
Party Treasurer

Consolidated cash flow statement for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Surplus before tax		1,451	6,516
Adjustments for:			
Finance costs		15	181
Depreciation and impairment charges / (gains)		-	-
Profit on disposal of property		-	(85)
Actuarial gains in pension scheme		741	(524)
		<u>2,207</u>	<u>6,088</u>
Movements in working capital			
Increase in trade and other receivables		(88)	(557)
Increase in trade and other payables		824	4,196
Increase/(decrease) in provisions for liabilities and charges		160	(26)
Cash generated from operations		<u>3,103</u>	<u>9,701</u>
Interest paid		<u>(15)</u>	<u>(181)</u>
Net cash generated by operating activities		<u>3,088</u>	<u>9,520</u>
Cash flows from investing activities			
Proceeds from sale of property		-	85
Payments for fixed assets		<u>(4,940)</u>	<u>(213)</u>
Net cash used in investing activities		<u>(4,940)</u>	<u>(128)</u>
Cash flows from financing activities			
Repayments of loans		-	(1,114)
Proceeds from new loans		<u>-</u>	<u>171</u>
Net cash used in financing activities		<u>-</u>	<u>(943)</u>
Net (decrease) / increase in cash and cash equivalents		(1,852)	8,449
Cash and cash equivalents at the beginning of the year		<u>11,063</u>	<u>2,614</u>
Cash and cash equivalents at the end of the year		<u>9,211</u>	<u>11,063</u>
Cash and bank balances			
Cash and bank balances		18,267	19,918
Development fund loans		(9,056)	(8,855)
Bank overdrafts		-	-
		<u>9,211</u>	<u>11,063</u>

The Notes on pages 12 to 19 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 £19,755,000 (2016: £14,436,000) and Financial liabilities at amortised cost of £19,191,000 (2016: £18,138,000). The Party held financial assets at fair value through the income and expenditure accounts of £195,000 (2016: £204,000).

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 surplus of £40,000 (2016: deficit of £30,000) 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 (£11,012,000 in 2017, £5,439,000 in 2016) 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.

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

	2017	2016
	£'000	£'000
Dinners	92	84
Other events	152	125
	<u>244</u>	<u>209</u>

5. Government grants

	2017	2016
	£'000	£'000
Short money	6,670	6,003
Policy Development Grant	757	90
	<u>7,427</u>	<u>6,093</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

	2017	2016
	£'000	£'000
This comprises:		
Goods	66	43
Services	88	81
Seconded staff	193	233
	<u>347</u>	<u>357</u>

7. Investment income

	2017	2016
	£'000	£'000
Dividends Received	48	33
	<u>48</u>	<u>33</u>

8. Running costs

	2017	2016
	£'000	£'000
Staff related expenditure (see Note 11)	21,138	16,955
Building and premises	3,537	2,106
Depreciation and amortisation	-	-
Political activities and publishing	2,482	4,294
Administration	2,023	1,577
Finance, IT and telecommunication costs	3,770	4,404
	<u>32,950</u>	<u>29,336</u>

9. Campaign expenditure

	2017	2016
	£'000	£'000
UK General election	11,012	-
Scottish Parliament election	-	338
National Assembly for Wales election	-	256
EU referendum	-	4,845
	<u>11,012</u>	<u>5,439</u>

10. Interest payable

	2017	2016
	£'000	£'000
Bank loans	-	103
Other loans	-	78
Development fund loans	153	237
	<u>153</u>	<u>418</u>

Notes to the financial statements

11. Employees

	2017	2016
	£'000	£'000
Staff related expenditure comprises:		
Wages and salaries	16,171	13,809
Social security costs	1,709	1,456
Other pension costs	3,070	1,580
Other costs	188	110
	<u>21,138</u>	<u>16,955</u>

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

	Full time	Part time	Total
At 31 December 2017	333	56	389
At 31 December 2016	289	54	343
At 31 December 2015	286	49	335
Average for 2017	333	62	395
Average for 2016	294	63	357

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 £584,000 (2016: £561,000).

12. Irrecoverable VAT

	2017	2016
	£'000	£'000
Irrecoverable VAT expensed in the year	<u>2,681</u>	<u>2,103</u>

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

13. Surplus from Party activities before taxation

	2017	2016
	£'000	£'000
This has been arrived at after crediting / (charging):		
Property rentals receivable	<u>115</u>	<u>112</u>

Auditors' remuneration	(67)	(89)
- audit services		
- non-audit services	(15)	(32)
Operating lease charge	(1,080)	(888)
- property		
- equipment	<u>(168)</u>	<u>(288)</u>

14. Taxation

	2017	2016
	£'000	£'000
<i>Current taxation</i>		
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:

	2017	2016
	£'000	£'000
Surplus from Party activities before taxation	1,451	6,516
Tax on profit at 19.25% (2016: 20%)	279	1,303
<i>Effects of:</i>		
Difference between non-taxable income and non-deductible expenses	(246)	(1,267)
Movement in deferred tax not provided	<u>(33)</u>	<u>(36)</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 and tax losses brought forward.

A deferred tax asset of £21,000 (2016: £38,000) 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 to utilise those losses. At 31 December 2017 Labour Party Properties Ltd had approximately £242,000 of losses carried forward (2016: £328,000).

Notes to the financial statements

15. Tangible assets

	Freehold investment properties	Other freehold & leasehold properties	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 January 2017	2,892	2,776	5,668
Additions	102	38	140
Transfers	110	(110)	-
At 31 December 2017	3,104	2,704	5,808
Depreciation			
At 1 January 2017	-	-	-
Disposals	-	-	-
At 31 December 2017	-	-	-
Net book value at 31 December 2017	3,104	2,704	5,808
Net book value at 31 December 2016	2,892	2,776	5,668

Included in other freehold and leasehold properties are short leasehold properties totalling £103,000. The historic cost for all properties is £5,253,000 (2016: £5,113,000). The most recent professional open market valuations were carried out as at 30 April 2014 by [REDACTED]. Properties are subject to an annual impairment review in accordance with note 1b.

16. Investments

Other fixed asset investments

	2017	2016
	£'000	£'000
Listed & fund investments		
At 1 January 2017	204	-
Additions	4,800	194
Fair value adjustment	33	10
At 31 December 2017	5,037	204

17. Debtors and prepayments

	2017	2016
	£'000	£'000
Trade debtors	1,060	1,114
Prepayments	2,073	1,653
Accrued income	101	294
Other debtors	327	412
	3,561	3,473

18. Creditors, accruals and deferred income

	2017	2016
	£'000	£'000
Trade creditors	1,449	1,862
Taxation and social security	874	987
Other creditors	4,334	3,593
Accruals	3,471	2,862
	10,128	9,304

19. Provisions for liabilities and charges

	2017	2016
	£'000	£'000
Dilapidations	160	-

Notes to the financial statements

20. Reserves

	General	Revaluation reserve	Total
	£'000	£'000	£'000
At 1 January 2017	24,562	555	25,117
Surplus for the year	1,451	-	1,451
Net investment gain	33	-	33
Disposals	-	-	-
Actuarial gain	878	-	878
At 31 December 2017	26,924	555	27,479

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

21. Subsidiary companies

The following are the subsidiary companies controlled by the NEC of the Party during 2017:

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.

22. 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 2018 are estimated to be £2.9M. 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.

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

Main Financial Assumptions

	2017	2016
Discount rate for society liabilities	2.60%	2.70%
Rate of general long term increase in salaries	4.15%	4.25%
RPI inflation	3.15%	3.25%
CPI inflation	2.15%	2.25%
Pension increases pre April 1997	0.00%	0.00%
Pension increases April 1997 to April 2005	2.20%	2.30%
Pension increases post April 2005	1.80%	1.90%

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 27.3 years if they are male and a further 29.1 years if they are female. Members currently aged 45 are expected to live for a further 29.0 years from age 60 if they are male and for a further 30.9 years from age 60 if they are female.

Notes to the financial statements

22. Pension fund (continued)

Asset breakdown as at 31 December 2017

Main asset categories	31 December 2017	
	£'000	%
Equities	18,638	19%
Delegated Growth Fund	-	
Fixed int Govt bonds	-	
Index linked Govt bonds	-	
Property	3,380	3%
Other	1,706	2%
Absolute return asset fund	15,306	15%
Corporate bonds	24,197	24%
Hedging assets	36,305	37%
Total	99,532	100%

Asset breakdown as at 31 December 2016

Main asset categories	31 December 2016	
	£'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%

Actual return on Society assets

	2017	2016
	£'000	£'000
Interest income on Society assets	2,548	2,833
Actuarial (loss)/gain on Society assets	2,473	17,539
Actual return on Society assets	5,021	20,372

Reconciliation of funded status to balance sheet

	2017	2016
	£'000	£'000
Fair value of Society assets	99,532	94,219
Present value of funded defined benefit obligations	(85,382)	(80,206)
Funded status	14,150	14,013
Unrecognised asset	-	-
Asset recognised on the balance sheet	14,150	14,013

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

	2017	2016
	£'000	£'000
Opening defined benefit obligation	80,206	59,838
Current service cost	2,640	1,519
Interest expense on DBO	2,179	2,311
Contributions by members	639	587
Actuarial (gains)/losses on liabilities*	1,595	17,541
Net benefits paid out	(2,258)	(1,721)
Past service cost	381	131
Closing defined benefit obligation	85,382	80,206

* Includes changes to the actuarial assumptions.

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

	2017	2016
	£'000	£'000
Opening fair value of Society assets	94,219	73,329
Interest income on Society assets	2,548	2,833
Actuarial (loss)/gain on Society assets	2,473	17,539
Contributions by the Sponsor	2,269	2,024
Contributions by Society participants	639	587
Net benefits paid out	(2,258)	(1,721)
Administration costs incurred	(358)	(372)
Closing fair value of Society assets	99,532	94,219

Notes to the financial statements

22. Pension fund (continued)

Amounts recognised in income and expenditure account

	2017 £'000	2016 £'000
Operating cost:		
Current service cost	2,640	1,519
Administration expenses	358	372
Past service cost	381	131
Financing cost:		
Interest on net defined benefit liability/(asset)	(369)	(522)
Expense recognised in income and expenditure	<u>3,010</u>	<u>1,500</u>

23. Lease commitments

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

	2017 £'000	2016 £'000
Operating leases payable:		
Within one year	1,632	1,307
In the second to fifth years inclusive	4,494	5,035
In more than five years	-	953
	<u>6,126</u>	<u>7,295</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 surplus to inflow from operating activities

	2017 £'000	2016 £'000
Operating surplus for the year before taxation	1,451	6,516
Depreciation and impairment charges	-	-
Profit on disposal of property	-	(85)
Interest payable	15	181
Increase in trade and other receivables	(88)	(557)
Increase in trade and other payables	824	4,196
Actuarial gain on pension scheme	741	(524)
Interest paid	(15)	(181)
Increase/(decrease) in provisions for liabilities and charges	160	(26)
Net cash flow from operating activities	<u>3,088</u>	<u>9,520</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 2017	8,855
Additional loans made available	588
Loans repaid	(387)
Loans payable at 31 December 2017	<u>9,056</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.