

The Labour Party

Financial statements for the year ended 31 December 2021

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Registered Party officers

Leader	Rt Hon Keir Starmer MP
Treasurer	David Evans
Nominating Officer	Andrew Whyte
Deputy Treasurer	Carol Linforth
Deputy Treasurer	Louise Magee (resigned 14 December 2021)
Deputy Treasurer	Simon Mills
Deputy Treasurer	Drew Smith (appointed 18 January 2021, resigned 13 September 2021)
Deputy Treasurer	Niall Sookoo (resigned 15 January 2021)
Deputy Treasurer	Andrew Whyte

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

Treasurers' report

In presenting the financial statements for the year ended 31st December 2021 we are looking back at a difficult and demanding year. A year where, despite interruptions, we slowly started to return to 'normal', adapting to the impact of COVID 19. For the Labour Party, this has meant, amongst other activities, being able to campaign in elections and once again welcoming thousands of delegates and visitors to Annual Conference.

Despite many positives – including membership income comparable with 2017 and 2018, a huge amount in a non-election year – Party finances do remain challenging with pressure on income coinciding with increasing costs. This has led to difficult discussions and decisions, and we would like to thank everyone for their commitment and dedication during this process. The action taken by the Party to manage costs included reverting to the more traditional mid-election cycle model, after years remaining on an election-footing. The one-off cost of the voluntary severance scheme contributed to the deficit result which required the allocation of cash reserves to fund. For the avoidance of doubt, the Party remains debt free.

As always we seek to maximise income while managing costs. The postponement of elections in May 2020 meant that the scale to be contested in 2021 was unprecedented. UK wide campaigns, including in the national elections in Scotland and Wales, could have meant further pressure on resources if it were not for the huge financial backing received. That campaign support together with the results achieved demonstrate that while we can never be complacent, we are moving forward from the result of the 2019 General Election.

At the time of writing, following the most recent triennial valuation, the Party is consulting with staff on changes to the defined benefit pension scheme - the Labour Party Superannuation Society (the Society). The initial results of this valuation presented both a past service funding deficit and a significant increase in the future service contribution rate, a not unexpected deterioration in the position which has been directly impacted by the government reforms to RPI. This result, as in previous years, conflicts with the position reported in these financial statements calculated in accordance with FRS 102. The variation is being driven by differences in the actuarial assumptions adopted and in the two methodologies. The results under FRS 102 have no impact on the level of contributions that the Party pays to the Society which are agreed with the Trustee following each formal funding actuarial valuation. Whatever the outcome of the consultation, the Party remains committed to continuing to provide an equitable and valuable pension benefit to its staff.

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 offer a big thank you to all of our donors, whatever the size of the gift, it makes a huge difference.

We also wish to thank all activists, members, supporters, elected representatives and staff who continue to do all they can for our Party and for the country.

Finally, moving into 2022 we continue to face financial pressures and the need to act with prudence, managing finances in accordance with the NEC's Finance Strategy.

Treasurers' report (cont.)

Before we implemented this Strategy over a decade ago, the Party was beset by debts and loans requiring repayment, a lack of reserves, and a disconnect between Party activities and the finances required. The NEC Finance Strategy has served us very well, ensuring that throughout the financial cycle we maximise income, scrutinise expenditure to achieve value, and allocate resources in line with our key priorities. It is by following these principles that we can overcome the challenges, rebuild vital reserves and give a sound financial base for all that lies ahead, for the next General Election, and beyond.



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 2022.

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 to better reflect the community, to drive the Party's equality agenda, and to assist and promote the Party's work in combating discrimination in all forms.
Organisation Committee	Responsible for Party rules and its constitution; ensures all levels of the Party are operating effectively throughout the country to the highest standards; and has overall responsibility for membership, investigations, elections (including selections), local government, conferences, electoral law, boundaries strategy and internal elections.
Complaints and Disciplinary Sub-Committee	Oversight and scrutiny of complaints and disputes processes; 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 audit and compliance oversight, 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 2021 the total individual membership of the Party was 432,213 (2020: 523,332).

Accounting units

As at 31 December 2021 the Party had 668 (2020: 668) 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 2021 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 2021 and of the deficit 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.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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.

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

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.

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 2022

Consolidated income and expenditure account for the year ended 31 December 2021

		2021	2020
	Notes	£'000	£'000
Income			
Donations		9,933	5,679
Membership		16,187	19,316
Affiliations		5,821	5,878
Fundraising	4	200	85
Commercial income		2,977	423
Legacies		221	132
Interest receivable		-	28
Government grants	5	6,954	7,098
Notional income	6	297	5
Other income		2,583	2,916
Investment Income	7	391	20
Total income		45,564	41,580
Expenditure			
Costs of fundraising		(22)	(15)
Costs of commercial activity		(2,446)	(771)
Notional expenditure	6	(297)	(5)
Running costs	8	(40,694)	(35,447)
Campaign expenditure	9	(1,673)	-
Interest payable	10	(42)	(167)
Grants and payments to CLPs		(3,664)	(4,523)
Other	12	(1,927)	(1,608)
Total expenditure		(50,765)	(42,536)
Deficit from Party activities before taxation	13	(5,201)	(956)
Taxation	14	(4)	(53)
Deficit for the year		(5,205)	(1,009)

Statements of comprehensive income and changes in equity for the year ended 31 December 2021

Statement of comprehensive income

	Notes	2021	2020
		£'000	£'000
Deficit for the year		(5,205)	(1,009)
Net investment gain		155	18
Asset gains arising during the year		2,870	14,214
Liability gains/(losses) arising during the year	22	5,165	(17,406)
		<hr/>	<hr/>
Total comprehensive income for the year		2,985	(4,183)
		<hr/> <hr/>	<hr/> <hr/>

Statement of changes in equity

	General	Revaluation reserve	Total
	£'000	£'000	£'000
At 1 January 2020	14,819	1,137	15,956
Surplus for the year	(1,009)	-	(1,009)
Other comprehensive income:			
Actuarial gain on the pension scheme	(3,192)		(3,192)
Disposal of properties	-	-	-
Net investment gain	18	-	18
At 31 December 2020 and 1 January 2021	<hr/> 10,636	<hr/> 1,137	<hr/> 11,773
Deficit for the year	(5,205)	-	(5,205)
Other comprehensive income:			
Actuarial gain on the pension scheme	8,035	-	8,035
Net investment gain	155		155
At 31 December 2021	<hr/> 13,621	<hr/> 1,137	<hr/> 14,758
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Consolidated balance sheet at 31 December 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Tangible assets	15	6,609	5,986
Investments	16	2,507	2,340
		9,116	8,326
Current assets			
Debtors and prepayments	17	3,968	3,679
Cash at bank and in hand		21,111	25,773
		25,079	29,452
Creditors: amounts falling due within one year			
Creditors, accruals and deferred income	18	(13,235)	(13,077)
Development fund loans	25	(11,422)	(11,255)
		(24,657)	(24,332)
Net current assets		422	5,120
Total assets less current liabilities		9,538	13,446
Pension liability	22	-	(1,020)
Provisions for liabilities and charges	19	(203)	(653)
Net assets		9,335	11,773
Pension asset	22	(5,423)	-
Reserves			
General	20	13,621	10,636
Revaluation reserve	20	1,137	1,137
		9,335	11,773

The financial statements on pages 10 to 21 were approved by the National Executive Committee on 22nd June 2022 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 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Deficit for the year		(5,205)	(1,009)
Adjustments for:			
Finance costs		-	-
Depreciation and impairment charges		119	106
Gain on sale/grant of property		-	-
Actuarial gains in pension scheme		<u>1,592</u>	<u>272</u>
		(3,494)	(631)
Movements in working capital			
(Increase / decrease in trade and other receivables		(289)	810
Increase/ (decrease) in trade and other payables		158	(2,089)
(Decrease) / increase in provisions for liabilities and charges		<u>(450)</u>	<u>266</u>
Cash used from operations		(581)	(1,013)
Interest paid		<u>-</u>	<u>-</u>
Net cash used by operating activities		<u>(4,075)</u>	<u>(1,644)</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Payments for fixed assets		<u>(754)</u>	<u>(110)</u>
Net cash used in investing activities		<u>(754)</u>	<u>(110)</u>
Cash flows from financing activities			
Repayments of loans		-	-
Proceeds from new loans		<u>-</u>	<u>-</u>
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents		(4,829)	(1,754)
Cash and cash equivalents at the beginning of the year		<u>14,518</u>	<u>16,272</u>
Cash and cash equivalents at the end of the year		<u><u>9,689</u></u>	<u><u>14,518</u></u>
Cash and bank balances		21,111	25,773
Development fund loans		(11,422)	(11,255)
Bank overdrafts		-	-
		<u><u>9,689</u></u>	<u><u>14,518</u></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 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. Income from legacies is recognised on receipt, except where notification is received before the year end and funds received after the year end.
- 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.

Office equipment is depreciated on a straight line basis over a period of 4 years.

No depreciation is charged on assets under construction until they are available for use.

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

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.

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 £22,885,000 (2020: £27,026,000) and Financial liabilities at amortised cost of £24,597,000 (2020: £24,332,000). The Party held financial assets at fair value through the income and expenditure accounts of £2,507,000 (2020: £2,340,000).

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 £336,000 (2020: deficit of £62,000) 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. 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 (£1,673,000 in 2021, £nil in 2020) 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

	2021	2020
	£'000	£'000
Dinners	10	30
Other events	190	55
	<u>200</u>	<u>85</u>

5. Government grants

	2021	2020
	£'000	£'000
Short money	6,503	6,641
Policy Development Grant	451	457
	<u>6,954</u>	<u>7,098</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

	2021	2020
	£'000	£'000
This comprises:		
Goods	6	5
Services	17	-
Seconded staff	274	-
	<u>297</u>	<u>5</u>

7. Investment Income

	2021	2020
	£'000	£'000
Sale of investments	347	-
Dividends Received	44	20
	<u>391</u>	<u>20</u>

8. Running costs

	2021	2020
	£'000	£'000
Staff related expenditure (see Note 11)	26,066	23,558
Building and premises	2,838	3,090
Depreciation and amortisation	119	106
Political activities and publishing	6,029	3,594
Administration	2,818	2,395
Finance, IT and telecommunication costs	2,824	2,704
	<u>40,694</u>	<u>35,447</u>

9. Campaign expenditure

	2021	2020
	£'000	£'000
Scottish Parliament election	1,175	-
Senedd election	498	-
	<u>1,673</u>	<u>-</u>

10. Interest payable

	2021	2020
	£'000	£'000
Development fund loans	42	167
	<u>42</u>	<u>167</u>

Notes to the financial statements

11. Employees

	2021	2020
	£'000	£'000
Staff related expenditure comprises:		
Wages and salaries	19,164	17,830
Social security costs	1,922	2,105
Other pension costs	4,818	3,535
Other costs	162	88
	26,066	23,558

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

	Full time	Part time	Total
At 31 December 2021	286	45	331
At 31 December 2020	372	52	424
At 31 December 2019	367	54	421
Average for 2021	345	54	399
Average for 2020	382	56	439

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 £880,000 (2020: £533,000).

12. Irrecoverable VAT

	2021	2020
	£'000	£'000
Irrecoverable VAT expensed in the year	1,758	1,522

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

13. Surplus from Party activities before taxation

	2021	2020
	£'000	£'000
This has been arrived at after crediting / (charging):		
Property rentals receivable	123	129
Auditors' remuneration	(64)	(80)
- audit services	(18)	(27)
- non audit services		

Westminster Foundation for Democracy:

Project funding recognised during the year	(232)	(493)
Project expenditure supported by funding	232	493
Operating lease charge	(1,125)	(1,250)
- property		
- equipment	(187)	(245)

14. Taxation

	2021	2020
	£'000	£'000
<i>Current taxation</i>		
UK Corporation Tax	4	26
Adjustment for prior year tax payable	-	27
Tax on surplus on Party activities	4	53

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

	2021	2020
	£'000	£'000
(Deficit) from Party activities before taxation	(5,201)	(956)
Tax on profit/(loss) at 19 % (2020: 19 %)	(988)	(182)
<i>Effects of:</i>		
Difference between non-taxable income and non-deductible expenses	1,001	208
Adjustment for prior year tax payable	-	27
Movement in deferred tax not provided	(9)	-
	4	53

If all of the property assets were sold at their balance sheet values it is estimated that a tax liability of £82,000 (2020: £62,000) 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 £35,000 (2020: £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 2021 Labour Party Properties Ltd had £nil losses carried forward (2020: £5,000).

Notes to the financial statements

15. Tangible assets

	Freehold investment properties	Other freehold & leasehold properties	Office equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 January 2021	3,341	2,439	477	-	6,257
Additions/(disposals)	-	4	-	738	742
Transfers	(473)	473	-	-	-
At 31 December 2021	2,868	2,916	477	738	6,999
Depreciation					
At 1 January 2021	-	-	(271)	-	(271)
Charge for year	-	-	(119)	-	(119)
At 31 December 2021	-	-	(390)	-	(390)
Net book value at 31 December 2021	2,868	2,916	87	738	6,609
Net book value at 31 December 2020	3,341	2,439	206	-	5,986

Included in other freehold and leasehold properties are short leasehold properties totalling £nil. The historic cost for all properties is £5,521,000 (2020: £5,517,000). 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

	2021	2020
	£'000	£'000
Listed & fund investments		
At 1 January 2021	2,340	2,303
Net additions / (withdrawals)	12	19
Fair value adjustment	155	18
At 31 December 2021	2,507	2,340

17. Debtors and prepayments

	2021	2020
	£'000	£'000
Trade debtors	785	938
Prepayments	2,238	2,426
Accrued income	408	-
Other debtors	537	315
	3,968	3,679

18. Creditors, accruals and deferred income

	2021	2020
	£'000	£'000
Trade creditors	2,092	1,592
Taxation and social security	1,098	1,279
Other creditors	7,498	6,651
Accruals	2,547	3,555
	13,235	13,077

19. Provisions for liabilities and charges

	2021	2020
	£'000	£'000
Dilapidations	203	653

Notes to the financial statements

20. Reserves

	General	Revaluation reserve	Total
	£'000	£'000	£'000
At 1 January 2021	10,636	1,137	11,773
Deficit for the year	(5,205)	-	(5,205)
Net investment gain	155	-	155
Disposal of properties	-	-	-
Actuarial gain	8,035	-	8,035
At 31 December 2021	13,621	1,137	14,758

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 2021:

<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. The 31 December 2020 valuation is currently underway but has not been finalised.

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 2021

The initial results of the funding valuation at 31 December 2021 have been adjusted to the new balance sheet date, taking account of experience over the period since 31 December 2020, changes in market conditions, and differences in the 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

	2021	2020
Discount rate for society liabilities	1.80%	1.30%
Rate of general long term increase in salaries	5.10%	4.50%
RPI inflation	3.50%	2.90%
CPI inflation	3.10%	2.50%
Pension increases pre April 1997	0.00%	0.00%
Pension increases April 1997 to April 2005	3.00%	2.50%
Pension increases post April 2005	2.10%	1.90%

The mortality base tables adopted are 99% (2020 103%) of S3PMA "middle" tables for males and 101% (2020 109%) of S2PFA tables for females, with CMI2017 [Sk=7.5] 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 26.4 years (2020 26.5 years) if they are male and a further 28.9 years (2020 28.2 years) if they are female. Members currently aged 45 are expected to live for a further 27.7 years (2020 27.9 years) from age 60 if they are male and for a further 30.3 years (2020 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 2021

	31 December 2021
	£'000
Main asset categories	
Equities	27,449
Property	-
Cash	1,640
Growth fund	3,398
Liquid alternatives	21,966
Corporate bonds	41,765
Hedging assets	37,667
Total	<u>133,885</u>

Asset breakdown as at 31 December 2020

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

None of the Society assets are in property occupied by, or other assets used by, the Party.

Actual return on Society assets

	2021	2020
	£'000	£'000
Interest income on Society assets	1,674	2,117
Gain on Society assets	2,870	14,214
Actual return on Society assets	<u>4,544</u>	<u>16,331</u>

Reconciliation of funded status to balance sheet

	2021	2020
	£'000	£'000
Fair value of Society assets	133,885	128,127
Present value of funded Defined Benefit Obligation	(128,462)	(129,147)
Funded status	<u>5,423</u>	(1,020)
Unrecognised asset	-	-
Asset/(liability) recognised on the balance sheet	<u>5,423</u>	<u>(1,020)</u>

Changes in Defined Benefit Obligation over the year

	2021	2020
	£'000	£'000
Opening Defined Benefit Obligation	129,147	108,129
Current service cost	4,364	3,577
Interest expense on DBO	1,697	2,069
Contributions by Society participants	643	652
Actuarial (gains)/losses on liabilities	(5,165)	17,406
Net benefits paid out	(2,224)	(2,686)
Closing Defined Benefit Obligation	<u>128,462</u>	<u>129,147</u>

Changes to fair value of the Society assets during the year

	2021	2020
	£'000	£'000
Opening fair value of Society assets	128,127	110,592
Interest income on Society assets	1,674	2,117
Gains on Society assets	2,870	14,214
Contributions by the employer	3,109	3,681
Contributions by Society participants	643	652
Net benefits paid out	(2,224)	(2,686)
Administration costs incurred	(314)	(443)
Closing fair value of Society assets	<u>133,885</u>	<u>128,127</u>

Notes to the financial statements

22. Pension fund (continued)

Income & expenditure and comprehensive income

	2021 £'000	2020 £'000
Operating cost:		
Current service cost	4,364	3,577
Administration expenses	314	443
Past service cost(including curtailments)	-	-
Financing cost:		
Interest on net defined benefit liability/(assets)	23	(48)
Expense recognised in income and expenditure	<u>4,701</u>	<u>3,972</u>
Remeasurements in OCI:		
Return on society assets above that recognised in net interest	(2,870)	(14,214)
Liability (gains)/losses arising during the year	(5,165)	17,406
Change in effect of the asset ceiling	-	-
	<u> </u>	<u> </u>
Total amount recognised in OCI	(8,035)	3,192
Total amount recognised in income & expenditure and OCI	<u>(3,334)</u>	<u>7,164</u>

23. Contingencies and commitments

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

	2021 £'000	2020 £'000
Operating leases payable:		
Within one year	1,228	1,480
In the second to fifth years inclusive	66	1,118
In more than five years	-	-
	<u>1,294</u>	<u>2,598</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

The Party is subject to legal claims as a consequence of the unauthorised publication of a report in 2020 and is defending itself against such claims. While investigations are ongoing the outcome of any case is unknown. It is not possible to estimate the potential cost should the Party be unsuccessful in defending these claims or the timing of any payments.

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

	2021 £'000	2020 £'000
Deficit for the year	(5,205)	(1,009)
Depreciation and impairment charges	119	106
Gain on grant of property	-	-
Interest payable	-	-
(Decrease)/increase in trade and other receivables	(289)	810
Increase/(decrease) in trade and other payables	158	(2,089)
Actuarial gain on pension scheme	1,592	272
Interest paid	-	-
(Decrease)/increase in provisions for liabilities and charges	(450)	266
Net cash flow from operating activities	<u>(4,075)</u>	<u>(1,644)</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 2021	11,255
Additional loans made available	338
Loans repaid	<u>(171)</u>
Loans payable at 31 December 2021	<u>11,422</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.