

LABOUR  
PARTY  
ANNUAL  
REPORT  
2019

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## STABILITY AND PROGRESS WITHIN THE PARTY HUMAN RESOURCES REPORT

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Following a successful year focussing on equality and diversity across our workforce, we were proud to be able to share the results of our Gender Pay report which indicated that we had a negative gender pay gap of -3.02%, meaning on average women are paid more than men within the organisation. This has changed from a mean gender pay gap of 2.45% in 2017. We have taken significant steps and continue to take action to tackle the gender pay gap, including initiatives such as a female development programme, internal networks and an active promotion of flexible working policies and recruitment practices.

Our work on diversity and inclusion has been recognised as we have successfully maintained our status as a Stonewall Diversity Champion and a Disability Confident employer, which underlines our commitment to equal opportunities, both within our workplace and in wider society. Using our staff networks we will seek feedback from our people on what has worked well and what more we can do. In 2018, the Labour Party has maintained and exceeded the requirements of our accreditation for being a Living Wage employer and are looking at other ways we can set a high standard through other external endorsements and by building on the training undertaken for Mental Health First Aiders.

Looking forward, there will be a focus over the next year on how we can support greater career development internally and how we can practically provide an exciting and inclusive working environment for our employees.

## STABILITY AND PROGRESS WITHIN THE PARTY FINANCE

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2018 was the first period in years without a major election or referendum. However, the political turmoil triggered by the Tories attempt to govern without a majority and the shambolic Brexit negotiations required that we remained election ready. The financial support delivered by a membership of over half a million meant that we were able to rise to this challenge.

Not only were we able to maintain an organisation ready to contest a general election, significant funds were also invested in new strategies and activities designed to boost engagement and activism. In 2018, £1m of reserves were allocated to key activities and campaigns. Investing now for future elections, but at the same time maintaining funds in reserve – the General Election Trust Fund – ready to kick start our campaign on the day that the election is called, whenever it may be.

As highlighted in previous reports, while the huge membership is our greatest asset, the fact that it now underpins our budgets and plans also means that we need to recognise the risk that it poses. Investment now, rather than retaining all funds for the final campaign push, means that the cost base has increased significantly. A reduction in the number of members above and beyond expected natural churn will require a corresponding reduction in expenditure. We recognise that, in so many ways, our members are critical to our success, each and every year.

The robust financial management engendered by the NEC's Finance Strategy will ensure that we continue to be ready to react and adapt to maintain a stable financial position.

## STABILITY AND PROGRESS WITHIN THE PARTY COMMERCIAL AND FUNDRAISING

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The Commercial Development team are responsible for the marketing and delivery of income generating products across Annual Conference and Regional Conferences including fringe events, exhibition, advertising and accreditation.

At Annual Conference our exhibition was full with 160 stands representing the third sector, leading business, unions and NGOs. Demand for exhibition space was high and it spanned two of the Conference venues, the ECL and the ACC in Liverpool. As always it provided an interesting and informative experience for visitors and received much positive feedback from delegates. Features included the Small Business Zone and interactive stands such as the Guide Dogs obstacle course. As ever the promotional items proved to be hugely popular.

The Exhibitors Reception was well attended with John McDonnell thanking all our exhibitors for their invaluable contribution, sharing ideas, information, best practice and services to our visitors.

We left Liverpool with bookings secured for 30% of the exhibition space at Brighton 2019, a very positive start.

Over 550 fringe events took place with lots of first time clients representing a wide range of sectors. There was an increase in the number of organisations running programmes of multiple events throughout conference, including SME4Labour, Heathrow, Dods and Unite the Union.

Attendance increased in each of the stakeholder categories, and the Conference Programme was very well received with the post event surveys supplying considerable positive feedback. Members were enthused and energised by the expansion in policy discussions as well as the new look training hub. Commercial and third sectors visitors

commented on the increased levels of engagement provided by the sector specific events.

The team supported the successful delivery of Scottish Conference, Welsh Conference and several Regional Conferences. We are working with colleagues on product development as well as onsite support and pre event planning.

### **Fundraising**

The Fundraising team launched a new four year strategy in 2018 with a focus on building relationships with new donors from across the whole of the UK.

With the support of an external agency and following a period of consultation with former, current and prospective members, a new proposition for our mid-level fundraising programme was launched in December 2018. Labour's Rose Network aims to engage supporters across the UK with a new programme of events, as well as the opportunity to have meaningful discussions on policy, ideas and the big issues facing the country.

We also recruited a Major Donor fundraiser to focus on identifying support for key organisational priorities and programmes, including the Community Organising unit. This new resource is already proving successful, generating funds for key initiatives outside of the general election period. An example and highlight of 2018 was the team's fundraising success in establishing the party's Defending Democracy Fund.

We would like to thank all of our supporters for their generosity in 2018, and for the kind support from Emily Thornberry MP, Baroness Shami Chakrabarti and to all those who have assisted our Fundraising efforts throughout the year.

## STABILITY AND PROGRESS WITHIN THE PARTY EVENTS, BUSINESS ENGAGEMENT AND ENDORSEMENTS, VISITS

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In the 2018 financial year, reportable donations (excluding government grants), with a value of more than £7,500 to the central party organisation totalled £6.3 million, despite the year having none of the major political events usually associated with increased donation revenue.

We secured a number of major sponsorship packages in 2018, generating commercial income of £181,500 for the party. This included £33,000 from USDAW for their sponsorship of conference lanyards, passes and stewards t-shirts; a Bloomberg conference package with an overall value of £50,000; £20,000 from Intuit for sponsorship of the Business Forum Lunch and the Small Business Summit and conference packages worth £15,000 each from ACCA, and TSB and a package worth £20,000 from ICAEW.



# STABILITY AND PROGRESS WITHIN THE PARTY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### Registered party officers

<b>Leader:</b>	Rt Hon Jeremy Corbyn MP
<b>Treasurer</b>	Iain McNicol (resigned 11 April 2018) Jennie Formby (appointed 11 April 2018)
<b>Nominating Officer</b>	Andrew Whyte
<b>Deputy Treasurer</b>	Rhiannon Evans (appointed 25 October 2018)
<b>Deputy Treasurer</b>	Anna Hutchinson
<b>Deputy Treasurer</b>	Carol Linforth
<b>Deputy Treasurer</b>	Louise Magee (resigned 25 October 2018)
<b>Deputy Treasurer</b>	Simon Mills
<b>Deputy Treasurer</b>	Emilie Oldknow (resigned 14 June 2018)
<b>Deputy Treasurer</b>	Brian Roy
<b>Deputy Treasurer</b>	Andrew Whyte (appointed 29 March 2018)
<b>Registered address</b>	Southside, 105 Victoria Street, London, SW1E 6QT



## STABILITY AND PROGRESS WITHIN THE PARTY TREASURERS' REPORT

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We are pleased to present the financial statements for the year ended 31 December 2018, which show a year of consolidation and election readiness.

The party has been able to continue to allocate increased resources to campaigning activities and seats whilst maintaining reserves set aside for a future general election. The removal of the Tories' outright majority in 2017 and uncertainty around the Brexit negotiations created an opportunity to positively target spending in a non-election year as well as the financial challenge of remaining on an election footing.

Income totalled £46m (including donations of just under £6m) despite the year having none of the major political events which lead to this level of revenue. There was increased income from membership and because of gains in the General Election, also from increased government grants. In line with previous experience, there was a net fall in the number of members over the course of the year, but there were still over half a million members at the end of 2018. Our expenditure in the year was £3m greater than 2017 if you exclude expenditure on that year's General Election campaign. This was mainly spent on staff and activities to support campaigning and engagement – investment now for future elections.

Even after the planned use of reserves to fund campaign expenditure in the year, we continue to hold funds for a future general election – “a general election trust fund”. We also continue to be free of external debt. It should be noted that the loans reported in these statements represent amounts held on behalf of CLPs with corresponding cash deposits shown as assets.

We continue to adhere to the NEC's Finance Strategy which, we are proud to report, continues to maintain financial stability despite

possible future challenges, not least from the impact of the Trade Union Act.

We would like to thank our members, supporters, affiliated trade unions and socialist societies for their support. Also to thank all activists, staff and elected representatives for their hard work and commitment. We would like to record our gratitude to all donors for all of their financial support through the year.

Finally we look forward to the investment made this year and in future periods bringing success in elections so we can deliver “for the many not the few”.



**Jennie Formby**  
Registered  
Treasurer



**Diana Holland**  
Party Treasurer

# STABILITY AND PROGRESS WITHIN THE PARTY

## 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 2019 Annual Conference for its agreement. The NEC's Annual Report will be available from September 2019.

### 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
<b>Business Board</b>	Oversight of the business functions of the organisation including the management of finances.
<b>Joint Policy Committee (JPC)</b>	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, Shadow Cabinet and NPF.
<b>Equalities Committee</b>	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.
<b>Organisation Committee</b>	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.
<b>Disputes Panel</b>	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.
<b>Audit and Risk Management</b>	Responsibility for the party's risk register and policies to mitigate risks.

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### **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:

[www.labour.org.uk/people](http://www.labour.org.uk/people)

[www.scottishlabour.org.uk/people](http://www.scottishlabour.org.uk/people)

[www.eurolabour.org.uk/your-meps](http://www.eurolabour.org.uk/your-meps)

[www.welshlabour.wales/people\\_pobl](http://www.welshlabour.wales/people_pobl)

or in the Appendices at the end of this document.

### **Membership**

As at 31 December 2018 the total individual membership of the party was 518,659 (2017: 564,443).

### **Accounting units**

As at 31 December 2018 the party had 669 (2017: 669) accounting units registered with the Electoral Commission.

## STABILITY AND PROGRESS WITHIN THE PARTY

### STATEMENT OF REGISTERED TREASURER'S RESPONSIBILITIES

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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 them to ensure that the financial statements comply with the Act. They also have 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.

# STABILITY AND PROGRESS WITHIN THE PARTY

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LABOUR PARTY

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### Opinion

We have audited the financial statements of the Labour Party for the year ended 31 December 2018 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 2018 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

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 or a material misstatement of the other information. If, based on the work

## STABILITY AND PROGRESS WITHIN THE PARTY INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LABOUR PARTY

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 54, 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

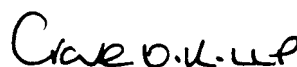
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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](http://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 2019



## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
<b>Income</b>			
Donations		5,801	18,263
Membership		16,930	16,165
Affiliations		6,241	6,203
Fundraising	4	397	244
Commercial income		4,077	4,227
Legacies		45	129
Interest receivable		25	14
Government grants	5	8,452	7,427
Notional income	6	426	347
Other income		3,201	2,726
Investment income	7	72	48
Total income		<b>45,667</b>	55,793
<b>Expenditure</b>			
Costs of fundraising		(148)	(123)
Costs of commercial activity		(3,666)	(3,215)
Notional expenditure	6	(426)	(347)
Running costs	8	(36,544)	(32,950)
Campaign expenditure	9	-	(11,012)
Interest payable	10	(144)	(153)
Grants and payments to CLPs		(3,006)	(3,248)
Other	12	(2,388)	(3,294)
Total expenditure		<b>(46,322)</b>	(54,342)
(Deficit)/surplus from party activities before taxation	13	(655)	1,451
Taxation	14	-	-
<b>(Deficit)/surplus for the year</b>		<b>(655)</b>	1,451

# STATEMENTS OF COMPREHENSIVE INCOME AND CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

## Statement of comprehensive income

	Notes	2018	2017
		£'000	£'000
(Deficit)/surplus for the year		<b>(655)</b>	1,451
Net investment (loss) / gain		<b>(161)</b>	33
Asset (losses)/gains arising during the year		<b>(5,837)</b>	2,473
Liability gains/(losses) arising during the year	22	<b>7,066</b>	(1,595)
Total comprehensive income for the year		<b>413</b>	2,362

## Statement of changes in equity

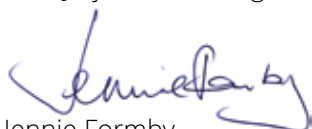
	General £'000	Revaluation reserve £'000	Total £'000
At 1 January 2017	24,562	555	<b>25,117</b>
Surplus for the year	1,451	-	<b>1,451</b>
Disposal of properties	-	-	-
Other comprehensive income:			
Actuarial gain on the pension scheme	878	-	<b>878</b>
Net Investment gain	33	-	<b>33</b>
At 31 December 2017 and 1 January 2018	26,924	555	<b>27,479</b>
Deficit for the year	(655)	-	<b>(655)</b>
Other comprehensive income:			
Actuarial gain on the pension scheme	1,229	-	<b>1,229</b>
Revaluation	-	(288)	<b>(288)</b>
Net investment (loss)	(161)	-	<b>(161)</b>
At 31 December 2018	27,337	267	<b>27,604</b>

The Notes on pages 61 to 73 form part of these financial statements

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Tangible assets	15	6,342	5,808
Investments	16	2,102	5,037
		<b>8,444</b>	10,845
<b>Current assets</b>			
Debtors and prepayments	17	3,800	3,561
Cash at bank and in hand		20,799	18,267
		<b>24,599</b>	21,828
<b>Creditors: amounts falling due within one year</b>			
Creditors, accruals and deferred income	18	(10,481)	(10,128)
Development fund loans	25	(9,784)	(9,056)
Overdrafts and short term loans		-	-
		<b>(20,265)</b>	(19,184)
<b>Net current assets</b>			
		<b>4,334</b>	2,644
<b>Total assets less current liabilities</b>			
		<b>12,778</b>	13,489
<b>Creditors: amounts falling due after more than one year</b>			
		-	-
<b>Provisions for liabilities and charges</b>			
	19	(160)	(160)
<b>Net assets</b>			
		<b>12,618</b>	13,329
<b>Pension asset</b>			
	22	(14,986)	(14,150)
<b>Reserves</b>			
General	20	27,337	26,924
Revaluation reserve	20	267	555
		<b>12,618</b>	13,329

The financial statements on pages 57 to 73 were approved by the National Executive Committee on 2 July 2019 and signed on its behalf by:



Jennie Formby  
General Secretary and Registered Treasurer



Diana Holland  
Party Treasurer

The Notes on pages 61 to 73 form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>Cash flows from operating activities</b>		
(Deficit)/surplus before tax	<b>(655)</b>	1,451
Adjustments for:		
Finance costs	-	15
Depreciation and impairment charges / (gains)	<b>64</b>	-
Profit on disposal of property	<b>(321)</b>	-
Actuarial gains in pension scheme	<b>393</b>	741
	<b>(519)</b>	2,207
Movements in working capital		
Increase in trade and other receivables	<b>(239)</b>	(88)
Increase in trade and other payables	<b>353</b>	824
Increase / (decrease) in provisions for liabilities and charges	-	160
Cash generated from operations	<b>(405)</b>	3,103
Interest paid	-	(15)
Net cash generated by operating activities	<b>(405)</b>	3,088
<b>Cash flows from investing activities</b>		
Proceeds from sale of property	<b>2,774</b>	-
Payments for fixed assets	<b>(565)</b>	(4,940)
Net cash used in investing activities	<b>2,209</b>	(4,940)
<b>Cash flows from financing activities</b>		
Repayments of loans	-	-
Proceeds from new loans	-	-
Net cash used in financing activities	-	-
Net (decrease) / increase in cash and cash equivalents	<b>1,804</b>	(1,852)
Cash and cash equivalents at the beginning of the year	<b>9,211</b>	11,063
Cash and cash equivalents at the end of the year	<b>11,015</b>	9,211
Cash and bank balances	<b>20,799</b>	18,267
Development fund loans	<b>(9,784)</b>	(9,056)
Bank overdrafts	-	-
	<b>11,015</b>	9,211

The Notes on pages 61 to 73 form part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### 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.

## NOTES TO FINANCIAL STATEMENTS

### *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.

### *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.

## NOTES TO FINANCIAL STATEMENTS

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- 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 £22,597,000 (2017: £19,755,000) and Financial liabilities at amortised cost of £20,265,000 (2017: £19,191,000). The party held financial assets at fair value through the income and expenditure accounts of £2,102,000 (2017: £5,037,000).

## **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 £10,000 (2017: surplus of £40,000) 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 (£nil in 2018, £11,012,000 in 2017) 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 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

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Dinners	<b>178</b>	92
Other events	<b>219</b>	152
	<b>397</b>	244

### 5. Government grants

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Short money	<b>7,986</b>	6,670
Policy Development Grant	<b>466</b>	757
	<b>8,452</b>	7,427

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

	<b>2018</b>	2017
	<b>£'000</b>	£'000
This comprises:		
Goods	<b>1</b>	66
Services	<b>24</b>	88
Seconded staff	<b>401</b>	193
	<b>426</b>	347

### 7. Investment Income

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Dividends Received	<b>72</b>	48
	<b>72</b>	48

### 8. Running costs

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Staff related expenditure (see Note 11)	<b>23,875</b>	21,138
Building and premises	<b>2,831</b>	3,537
Depreciation and amortisation	<b>64</b>	-
Political activities and publishing	<b>4,688</b>	2,482
Administration	<b>1,939</b>	2,023
Finance, IT and telecommunication costs	<b>3,147</b>	3,770
	<b>36,544</b>	32,950

### 9. Campaign expenditure

	<b>2018</b>	2017
	<b>£'000</b>	£'000
UK General election	-	11,012
	-	11,012



## NOTES TO FINANCIAL STATEMENTS

### 10. Interest payable

	<b>2018</b>	2016
	<b>£'000</b>	£'000
Development fund loans	<b>144</b>	153
	<b>144</b>	153

### 11. Employees

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Staff related expenditure comprises:		
Wages and salaries	<b>18,461</b>	16,171
Social security costs	<b>2,037</b>	1,709
Other pension costs	<b>3,078</b>	3,070
Other costs	<b>299</b>	188
	<b>23,875</b>	21,138

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

	Full time	Part time	Total
<b>At 31 December 2018</b>	<b>385</b>	<b>56</b>	<b>441</b>
At 31 December 2017	333	56	389
At 31 December 2016	289	54	343
<b>Average for 2018</b>	<b>379</b>	<b>59</b>	<b>438</b>
Average for 2017	333	62	395

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 £571,000 (2017: £584,000).

### 12. Irrecoverable VAT

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Irrecoverable VAT expensed in the year	<b>1,642</b>	2,681

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

### 13. Surplus from party activities before taxation

	<b>2018</b>	2017
	<b>£'000</b>	£'000
This has been arrived at after crediting / (charging):		
Property rentals receivable	<b>146</b>	115
Auditors' remuneration		
- audit services	<b>(65)</b>	(67)
- non-audit services	<b>(18)</b>	(15)
Westminster Foundation for Democracy:		()
Project funding recognised during the year	<b>(795)</b>	(758)
Project expenditure supported by funding	<b>795</b>	758
Operating lease charge		
- property	<b>(1,034)</b>	(1080)
- equipment	<b>(220)</b>	(168)

## NOTES TO FINANCIAL STATEMENTS

### 14. Taxation

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<i>Current taxation</i>		
UK Corporation Tax	-	-
	<hr/>	<hr/>
Tax on surplus on party activities	<u>-</u>	<u>-</u>

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

	<b>2018</b>	2017
	<b>£'000</b>	£'000
(Deficit)/surplus from party activities before taxation	<b>(655)</b>	1,451
Tax on (loss)profit at 19% (2017: 19.25%)	<b>(124)</b>	279
<i>Effects of:</i>		
Difference between non-taxable income and non-deductible expenses	<b>159</b>	(246)
Movement in deferred tax not provided	<b>(35)</b>	(33)
	<hr/> <u>-</u>	<hr/> <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 liability of £14,000 (2017: £21,000 asset) 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 2018 Labour Party Properties Ltd had approximately £54,000 of losses carried forward (2017: £242,000).

## NOTES TO FINANCIAL STATEMENTS

### 15. Tangible assets

	Freehold investment properties	Other freehold & leasehold properties	Office equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 January 2018	3,104	2,704	-	5,808
Additions	482	-	404	886
Revaluation	(32)	(256)	-	(288)
<b>At 31 December 2018</b>	<b>3,554</b>	<b>2,448</b>	<b>404</b>	<b>6,406</b>
<b>Depreciation</b>				
At 1 January 2018	-	-	-	-
Charge for year	-	-	(64)	(64)
<b>At 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>(64)</b>	<b>(64)</b>
<b>Net book value at 31 December 2018</b>	<b>3,554</b>	<b>2,448</b>	<b>340</b>	<b>6,342</b>
Net book value at 31 December 2017	3,104	2,704	-	5,808

Included in other freehold and leasehold properties are short leasehold properties totalling £21,000. The historic cost for all properties is £5,414,000 (2017: £5,253,000). 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

	2018	2017
	£'000	£'000
Listed & fund investments		
At 1 January 2018	5,037	204
(Withdrawals) / additions	(2,774)	4,800
Fair value adjustment	(161)	33
At 31 December 2018	<b>2,102</b>	5,037

### 17. Debtors and prepayments

	2018	2017
	£'000	£'000
Trade debtors	1,120	1,060
Prepayments	2,002	2,073
Accrued income	247	101
Other debtors	431	327
	<b>3,800</b>	3,561

## NOTES TO FINANCIAL STATEMENTS

### 18. Creditors, accruals and deferred income

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Trade creditors	<b>1,357</b>	1,449
Taxation and social security	<b>1,089</b>	874
Other creditors	<b>4,915</b>	4,334
Accruals	<b>3,120</b>	3,471
	<b>10,481</b>	10,128

### 19. Provisions for liabilities and charges

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Dilapidations	<b>160</b>	160

### 20. Reserves

	<b>General</b>	<b>Revaluation reserve</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2018	26,924	555	27,479
Surplus for the year	(655)	-	(655)
Net investment (loss)	(161)		(161)
Revaluation	-	(288)	(288)
Actuarial gain	1,229	-	1,229
<b>At 31 December 2018</b>	<b>27,337</b>	<b>267</b>	<b>27,604</b>

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

## NOTES TO FINANCIAL STATEMENTS

### 21. Subsidiary companies

The following are the subsidiary companies controlled by the NEC of the party during 2018:

<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. Notwithstanding the above, the disclosures below are in respect of the whole Society.

The level of benefits provided by the Society depends on a member's length of service and their salary at their date of leaving the Society.

#### Funding requirements

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

Part of the above surplus has 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 is expected to increase to 29% of pensionable salaries with effect from 1 January 2020.

#### Reporting at 31 December 2018

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

## NOTES TO FINANCIAL STATEMENTS

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

### Main Financial Assumptions

	<b>2018</b>	2017
Discount rate for society liabilities	<b>2.80%</b>	2.60%
Rate of general long term increase in salaries	<b>4.15%</b>	4.15%
RPI inflation	<b>3.15%</b>	3.15%
CPI inflation	<b>2.15%</b>	2.15%
Pension increases pre April 1997	<b>0.00%</b>	0.00%
Pension increases April 1997 to April 2005	<b>2.20%</b>	2.10%
Pension increases post April 2005	<b>1.80%</b>	1.80%

The mortality base tables adopted are 103% (2017 104%) of S2PMA tables for males and 109% of S2PFA tables for females, with CMI2017 [Sk=7.5] (2017 CMI2014) projections. and a long term rate of improvement of 1.5% each year.

Under these assumptions, members aged 60 now are expected to live for a further 26.5 years (2017 27.3 years) if they are male and a further 28.1 years (2017 29.1 years) if they are female. Members currently aged 45 are expected to live for a further 27.9 years (2017 29.0 years) from age 60 if they are male and for a further 29.6 years (2017 30.9 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.

### Asset breakdown as at 31 December 2018

Main asset categories	<b>31 December 2018</b>
	<b>£'000</b>
Equities	<b>19,228</b>
Property	<b>1,953</b>
Cash and other assets	<b>2,186</b>
Absolute return asset fund	<b>19,729</b>
Corporate bonds	<b>20,435</b>
Hedging assets	<b>33,151</b>
Total	<b>96,682</b>

### Asset breakdown as at 31 December 2017

Main asset categories	31 December 2017
	£'000
Equities	18,638
Property	3,380
Cash and other assets	1,706
Absolute return asset fund	15,306
Corporate bonds	24,197
Hedging assets	36,305
Total	99,532

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

## NOTES TO FINANCIAL STATEMENTS

### 22. Pension fund (continued)

#### Actual return on Society assets

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Interest income on Society assets	<b>2,596</b>	2,548
(Losses)/gains on Society assets	<b>(5,837)</b>	2,473
Actual return on Society assets	<b>(3,241)</b>	5,021

#### Reconciliation of funded status to balance sheet

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Fair value of Society assets	<b>96,682</b>	99,532
Present value of funded Defined Benefit Obligation	<b>(81,696)</b>	(85,382)
Funded status	<b>14,986</b>	14,150
Unrecognised asset	-	-
Asset recognised on the balance sheet	<b>14,986</b>	14,150

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

	<b>2018</b>	2016
	<b>£'000</b>	£'000
Opening defined benefit obligation	<b>85,382</b>	80,206
Current service cost	<b>2,872</b>	2,640
Interest expense on DBO	<b>2,233</b>	2,179
Contributions by Society participants	<b>697</b>	639
Actuarial (gains)/losses on liabilities	<b>(7,066)</b>	1,595
Net benefits paid out	<b>(2,422)</b>	(2,258)
Past service cost	-	381
Closing defined benefit obligation	<b>81,696</b>	85,382

## NOTES TO FINANCIAL STATEMENTS

### 22. Pension fund (continued)

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

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Opening fair value of Society assets	<b>99,532</b>	94,219
Interest income on Society assets	<b>2,596</b>	2,548
(Losses)/gains on Society assets	<b>(5,837)</b>	2,473
Contributions by the employer	<b>2,486</b>	2,269
Contributions by Society participants	<b>697</b>	639
Net benefits paid out	<b>(2,422)</b>	(2,258)
Administration costs incurred	<b>(370)</b>	(358)
Closing fair value of Society assets	<b>96,682</b>	99,532

#### Amounts recognised in income and expenditure account

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Operating cost:		
Current service cost	<b>2,872</b>	2,640
Administration expenses	<b>370</b>	358
Past service cost	-	381
Financing cost:		
Interest on net defined benefit liability/(asset)	<b>(363)</b>	(369)
Expense recognised in income and expenditure	<b>2,879</b>	3,010

### 23. Lease commitments

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

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>Operating leases payable:</b>		
Within one year	<b>1,344</b>	1,632
In the second to fifth years inclusive	<b>3,555</b>	4,494
In more than five years	-	-
	<b>4,899</b>	6,126

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.



## NOTES TO FINANCIAL STATEMENTS

### 24. Reconciliation of the operating surplus to inflow from operating activities

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Operating surplus for the year before taxation	<b>(655)</b>	1,451
Depreciation and impairment charges	<b>64</b>	-
Profit on disposal of property	<b>(321)</b>	-
Interest payable	-	15
Increase in trade and other receivables	<b>(239)</b>	(88)
Increase in trade and other payables	<b>353</b>	824
Actuarial gain on pension scheme	<b>393</b>	741
Interest paid	-	(15)
Increase / (decrease) in provisions for liabilities and charges	-	160
Net cash flow from operating activities	<b>(405)</b>	3,088

### 25 Related party transactions

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

	<b>£'000</b>
<b>Development fund loans</b>	
Loans payable at 1 January 2018	<b>9,056</b>
Additional loans made available	<b>1,046</b>
Loans repaid	<b>(318)</b>
Loans payable at 31 December 2018	<b>9,784</b>

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.

