

# GREATER **LONDON** AUTHORITY

## Statement of Accounts 2019/20

**AUDITED**



## Contents

Narrative Report	3
Statement of Responsibilities for the Statement of Accounts	11
Approval of the Statement of Accounts by the Mayor of London	12
Independent Auditor's Report to the Greater London Authority	13
Comprehensive Income and Expenditure Statement	26
Movement in Reserves Statement	28
Balance Sheet	32
Cash Flow Statement	33
Notes to the Financial Statements	34
Fund Account	149
Crossrail (incorporating Business Rates Supplement) Revenue Account	150
Notes to the Crossrail Revenue Account	151
Glossary	152

## Narrative Report

The GLA's accounts provides a wealth of detail on the Authority's financial position. They are a critical part of our stewardship of large sums of public money. However, as they have to be prepared in a prescribed format the pages that follow, at times, do not read easily. This narrative draws out the key issues from these accounts in an attempt to make them clearer and more understandable to all interested parties.

### *Structure*

This narrative sets out the:

- Core accounting statements;
- GLA's context;
- Performance against the Mayor's vision;
- Financial performance in 2019/20;
- GLA's Balance Sheet at 31 March 2020; and
- Main financial risks facing the Authority.

### *Core Accounting Statements*

The **core accounting statements** covering the Authority and the Group are the:

- **Comprehensive Income and Expenditure Statement:** this records the income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding;
- **Movement in Reserves Statement:** this is a summary of the changes to reserves over the course of the year. Reserves are divided into 'usable', which can be invested in capital projects or service improvements, and 'unusable' which must be set aside for specific accounting purposes rather than for investment or spending purposes;
- **Balance Sheet:** This is a 'snapshot' of the assets, liabilities, cash balances and reserves at the year-end date; and
- **Cash Flow Statement:** This shows the reason for changes in the cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long-term liabilities).

### *Context*

The GLA is the strategic authority for London and sits between the national Government and the London boroughs. It consists of the:

- Mayor of London, who is to be responsible for making London a better place for all those who visit, live or work in the city; and
- the London Assembly, which holds the Mayor to account.

The Mayor wants London to be a 'City for All Londoners' by:

- making it easier for people to move in and around the city;
- improving London's environment;
- helping the capital's businesses to thrive;
- providing Londoners with more affordable housing; and
- giving young people in London more opportunities.

The Mayor delivers this vision for London principally through the activities of the:

- GLA itself and its wide network of partnerships. Although much of the GLA's work is strategic – setting frameworks for London's boroughs and others to work within in areas like the environment, urban planning and economic development – the GLA now has significant delivery budgets for affordable homes and adult education;
- London Fire Brigade, which provides the city's fire and rescue service;
- two Mayoral Development Corporations (MDCs), responsible for regeneration centred on the Queen Elizabeth Olympic Park and the Old Oak and Park Royal area;
- the Metropolitan Police Service, which provides the capital's police service; and
- Transport for London, which provides London's transport service.

The Mayor is responsible for setting an annual Budget of some £18 billion for these bodies. However, these accounts are limited to the GLA itself and its two MDCs which are treated as part of the GLA's Group Accounts.

#### *Performance against the Mayor's vision*

Headline data for 2019/20 include:

- The number of police officers (full time equivalent) increased from 29,978 at the end of 2018/19 to 31,745 at the end of 2019/20, the highest level for a number of years. There was a 13 per cent fall in the number of knife injury victims under 25, against a backdrop of a 5.5 per cent overall annual increase in crimes recorded by the Metropolitan Police Service.

- The London Fire Brigade attended 17,751 fires in the year, a ten per cent fall compared to 2018/19, as well as attending 33,380 special services. A first appliance arrived at these incidents in an average of 5 minutes and 12 seconds, a slight improvement on the previous year.
- The Covid-19 pandemic significantly reduced the number of public transport trips on the Transport for London network towards the end of 2019/20. However, between April 1 2019 and 1 February 2020 there had been 3.35 billion trips on all TfL modes, against a target of 3.31 billion.
- There were an estimated 6.1m visitors to the Queen Elizabeth Olympic Park in 2019/20; and construction was taking place apace to deliver housing and a new cultural and educational district for London (East Bank).

Amongst the new initiatives the Mayor introduced in 2019/20 are the following:

- In September 2019, London was part of worldwide Car Free Day celebrations, closing more than 27km of streets in central London including Tower Bridge (closed to all traffic), London Bridge (buses only) and much of the City of London. Events took place across 27 boroughs, with 385 Play Streets allowing local communities to reimagine their streets. Sixty-five per cent of Londoners surveyed after last year's Car Free Day said the events inspired them to use their car less;
- The Mayor launched the world-leading Direct Vision Standard in October 2019, which seeks to eliminate dangerous Heavy Goods Vehicle blind spots, proven to be the cause of pedestrian and cyclist deaths and serious injuries;
- The Mayor introduced the world's first Ultra Low Emission Zone (ULEZ) in central London in April 2019. This and the Mayor's wider efforts to clean-up London's air have contributed to a reduction of 44 per cent in roadside NO<sub>2</sub> in the central London ULEZ zone;
- The Mayor launched a new kind of energy company in January 2020. London Power is ensuring Londoners have access to energy that is always fair, always affordable, always green – and with excellent customer service;
- The Good Growth Fund funded work for over 20,000 square metres of new and improved public realm delivery in 2019-20. The Good Growth Fund is a £70m programme that is, together with the guidance and frameworks we are creating, to regenerate and adapt for the future London's high streets, town centres and street markets;
- In July 2019, the Mayor launched the Good Work Standard – a benchmark for high employment standards with fair pay at its heart. More than 70 employers of a range of sizes and sectors – which collectively employ more than 207,000 staff – have been accredited to the scheme so far.

- Some 17,256 genuinely affordable homes funded by Mayoral programmes were started on site last year, more than at any time since records began in 2002-03. This has been achieved despite two years of uncertainty caused by the prospect of a no-deal Brexit and Covid-19 restrictions impacting on the final weeks of the financial year. Some 7,156 of the homes would be available at social rent levels and more than 3,300 were new council homes, the most in any year since the early 1980s;
- Over 6,900 rough sleepers were seen by Mayoral rough sleeping services during 2019-20 – the highest number ever. Towards the end of the year, the Mayor commenced the major operation to provide emergency accommodation for rough sleepers to protect them from Covid-19. As at 26 May about 1,300 individuals were being accommodated by the GLA, mainly in hotels; and
- The Mayor's £70m Young Londoners Fund has now invested in over 200 organisations, which will support 110,000 young people over three years – with more than 23,000 young people benefitting from activities in 2019-20. Projects are providing much needed positive activities and safe spaces for young people across London, including those at risk of involvement in crime.

#### *Financial Performance 2019/20*

The GLA's Revised Revenue Budget, net of financing costs, for 2019/20 was £396m. There was an underspend against this Budget of £9.9m or 2.5%. A summary of the main reasons for this variance is set out below:

Service	Brief Description of Main Reasons for Variances	£m
Housing	Underspend on staffing	1.0
Good Growth	Tree planting programme delays and transfer of costs of the Energy Company	3.4
Communities & Skills	Delays in delivery of projects	1.1
Strategy & Communications	Delays in delivery of major sports projects	2.3
Corporate	Interest on balances, offset by overspend on staffing budgets	2.1
<b>Total</b>		<b>9.9</b>

The GLA's Revised Capital Programme for 2019/20 was £2bn. There was an over-delivery against this Programme of £96.4m or 4.7%. A summary of the main reasons for this variance is set out below.

Service	Brief Description of Main Reasons for Variances	£m
Housing	Over-delivery of Affordable Housing	120.4
Other Directorates	Slippage on minor programmes	(0.9)
Corporate	Reduced spend requirements from functional bodies	(23.1)
<b>Total</b>		<b>96.4</b>

A detailed outturn report is available [here](#) and it sets out fuller details.

#### *GLA's Balance Sheet at 31 March 2020*

Set out below is a summary of the GLA's Balance Sheet at 31 March 2020, comparing the position to a year ago and to the position at 31 March 2016.

As at 31 March:	2016 £m	2019 £m	2020 £m
Assets	2,785	4,573	5,635
Liabilities	(5,423)	(5,548)	(6,363)
<b>Net Liabilities</b>	<b>(2,638)</b>	<b>(975)</b>	<b>(727)</b>

Since 31 March 2016 net liabilities have decreased by £1,916m. This is mainly due to increases in the Authority's investments and cash balances of some £2,310m largely from the receipt of affordable housing capital grants. There was also an increase in business rates income following the introduction of the London pooling pilot in 2017/18. The cash inflow was partially offset by a net increase in borrowing over the period and is described below.

Set out below is a summary of the GLA’s usable and unusable reserves at 31 March 2020, comparing the position to a year ago and to the position at 31 March 2016.

As at 31 March:	2016 £m	2019 £m	2020 £m
Usable Reserves	(632)	(2,420)	(3,540)
Unusable Reserves	3,270	3,395	4,267

Since 31 March 2016 usable reserves have increased by £2,908m and is largely due to the increased housing capital grants from central government not yet applied to finance capital spend and additional retained business rates income allocated to fund strategic investment and other Mayoral priorities, as explained above.

At the year-end usable reserves were £1,120m higher than the level at 31 March 2019. This reflects an increase in the capital receipts reserve (+£80m), capital grants unapplied (+£1,025m) and an increase in General Fund Reserves (+£15m). The marked increase in the level of capital grants unapplied reflects a timing difference between the receipt and eventual spending of Affordable Housing grant.

Unusable reserves are set aside for specific accounting purposes and cannot be used for investment or spending purposes. For the Authority, the increase of £997m since 31 March 2016 is largely due to capital grants paid to TfL for the Northern Line extension to Nine Elms and Battersea Power Station (NLE) and Crossrail which are financed from external borrowing but where TfL, rather than the GLA, holds these assets. These unusable reserves will be written down over time as the GLA’s Crossrail and NLE borrowing is repaid over the next two decades.

Set out below is a summary of the GLA’s net increase in overall level of debt

As at 31 March:	2016 £m	2019 £m	2020 £m
Overall level of debt	3,810	4,556	5,459



The GLA's overall level of debt has increased from £3.810 billion at 31 March 2016 to £5.459 billion at 31 March 2020. This increase in debt has principally occurred by the GLA's extra £1.2 billion borrowing to finance Crossrail incurred up to 31 March 2020 under the revised funding package agreed with the Government in December 2018 and its agreed £1 billion contribution towards the NLE. This additional borrowing undertaken has been undertaken within CIPFA's Prudential Code and financed by discrete income streams, principally business rates including the Crossrail business rate supplement and following legislative changes from 1 April 2019 the Mayor's Community Infrastructure Levy (MCIL).

The GLA's pensions arrangements are set out in great detail in these statements but the issue of how ultimately these costs are to be financed is controversial. These statements show that the overall pensions liability for the GLA is some £136 million as at 31 March 2020. However, this liability is not shown as an immediate liability on the GLA's balance sheet. This follows prescribed accounting rules and is because the Authority's actuary has certified that the employer and employees' pensions contributions are sufficient to meet this liability by 2046. Further, based on the latest Actuarial Valuation, our Actuary maintained the Authority's employer's contribution rate at the same level as in previous years and estimated that the GLA's Local Government Pension Fund was fully funded.

In 2019/20 the GLA again formed part of a business rates retention pilot with the 33 London local authorities which allowed the members to collectively retain 75% of all business growth above baseline across the capital excluding revaluation related growth. The GLA received around £2.4 billion in business rates income through the pilot including its share of the estimated 2018/19 collection fund surplus and a further £0.13 billion in section 31 grant funding in respect of Government funded rates reliefs. Of this around £1.9 billion was applied to support Transport for London, £0.22 billion and £0.23 billion respectively, to support both MOPAC and the LFC and around £73.3 million for the Mayor's strategic investment fund. The balance was applied to fund the GLA, London Assembly and the two Mayoral Development Corporations.

The Mayor also received just under £1 billion in council tax revenues in 2019/20 including the 2018/19 collection fund estimated surplus of which £0.74 billion was applied to fund policing and £0.16 billion to fund the London Fire Commissioner. The balance was applied to fund the GLA, London Assembly and TfL.

#### *Main financial risks facing the Authority.*

Details of the main risks facing the GLA are set out in our [Risk Register](#) (Item 6). Further, the Annual Governance Statement published alongside these accounts also sets out many of the issues facing the GLA. However, there are two financial risks I would wish to highlight: LLDC and Covid-19.

The Mayor is committed to ensuring that the Queen Elizabeth Olympic Park is fully regenerated on a sustainable basis and this requires a significant level of investment from the GLA. A key element of this is LLDC's East Bank development, its flagship project to deliver a world-class cultural and education district on the Park. Substantial progress was made during the year on East Bank after planning was secured and the Mayor broke ground on the project in July 2019, but the GLA's funding will increase materially over the next few years, including for the financial impact of COVID-19 on the project, which is expected to be significant. As the ultimate funder

of LLDC, the GLA is also exposed to the financial risks of the Corporation. The London Stadium will continue to require long term support from the GLA and the timing of the repayment of the loans the GLA has made to LLDC is dependent on housing market developments and this remains a long-term risk. These issues constitute a substantive financial risk for the GLA and accordingly there are measures in place for close monitoring.

As these accounts were being finalised, the full scale of the COVID-19 pandemic is becoming apparent. It is having, and will have, a profound impact on all our lives and transforms the financial horizon for the GLA and its functional bodies. Work has yet to conclude on this full assessment but the Mayor's Budget Guidance was published on 26 June. This Guidance set a requirement for all members of the GLA Group to bring forward in-year savings and efficiencies for 2020/21 and it set challenging financial targets for 2021/22. As part of this process the Mayor made a decision on 7 August to re-purpose the GLA: Mayor's 2020-21 Budget agreeing savings of £20.1m. Work on managing the financial impact of the pandemic continues as the overriding financial priority for the Mayor.

Finally, can I add my thanks to Frances Nguene, our Chief Accountant, and her team for the high quality and hard work that has gone into preparing these financial statements.

#### **Postscript to the 2019-20 Accounts**

Since the preparation of the accounts and my narrative, the Chief Officer and I have published a draft 2021-22 GLA: Mayor Budget. This report sets out a re-alignment of the GLA: Mayor Budget to address London's recovery and makes proposals to reduce expenditure in line with the projected reductions in business rates and council tax arising from the pandemic. The report also sets out an increased and alternative usage of reserves than previously planned. However, the exact scale of reductions required and usage of reserves will not be known probably until early February 2021 and a final GLA:Mayor Budget will not be set until March 2021.



**David Gallie**  
**Executive Director of Resources**

30 November 2020

## Statement of Responsibilities for the Statement of Accounts

### The Authority's responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Executive Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### The Executive Director of Resources' responsibilities

The Executive Director of Resources is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20* (the Code).

In preparing this Statement of Accounts, the Executive Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The Executive Director of Resources has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certificate of the Executive Director of Resources

I certify that the audited accounts for the Greater London Authority, give a true and fair view of the financial position of the Greater London Authority as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.




**David Gallie CPFA**

Executive Director of Resources

30 November 2020

## **Approval of the Statement of Accounts by the Mayor of London**

In accordance with Regulation 9(2) of the Accounts and Audit Regulations 2015, I approve the accounts of the Greater London Authority.

A handwritten signature in blue ink, appearing to read 'Sadiq Khan', with a small '2' written below the name.

**Sadiq Khan**

Mayor of London

30 November 2020

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREATER LONDON AUTHORITY

## Opinion

We have audited the financial statements of the Greater London Authority for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- The related notes 1 to 54,
- Fund Account,
- Business Rates Supplement Revenue Account, and related note 55.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Greater London Authority and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

## 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 below. We are independent of the authority and group 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 the Comptroller and Auditor General's (C&AG) AGN01, 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 Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the

Authority and Group'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.

## Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> <li>• Going concern</li> <li>• E20 onerous contract provision</li> <li>• Property valuation</li> <li>• Business risk appeals provision</li> <li>• Valuation of long term investments</li> <li>• Valuation of long term debtors</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>• Overall group materiality of £58.8m which represents 1% of group operating and capital expenditure.</li> </ul>

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Going concern</b>		
<b>Risk</b>	<b>Our response to the risk</b>	<b>Key observations communicated to the Mayor</b>
The unpredictability of the current environment gave rise to a risk that the Authority would not appropriately assess and disclose the key factors relating to going concern of the organisation. In particular, management's assessment of going concern as the appropriate basis of preparation for the accounts should be underpinned by consideration of the Authority's year end financial position at 31 March 2020, its financial forecast to be able to	<p>We addressed the risk as follows:</p> <ul style="list-style-type: none"> <li>- Reviewed the Authority's assessment of the impact of potential changes in income and additional expenditure as a result of Covid-19 on the Authority's financial planning for the 12 months from our sign off date for evidence of bias and consistency with</li> </ul>	We have concluded that the basis of preparation of the accounts as a going concern and associated disclosures is appropriate.



<p>continue to provide services without the need for unplanned service reductions, and to have sufficient cashflow for 12 months from the date of the audit opinion to meet its liabilities as they fall due.</p>	<p>our knowledge of the organisation.</p> <ul style="list-style-type: none"> <li>- Challenged management's assumptions to confirm that downside scenarios underpinning the Authority's budget and cash flow forecasts for the period 12 months from the date of our audit report are realistic.</li> <li>- Reverse stress tested those assumptions to determine the risk to going concern should those assumptions be overly optimistic</li> <li>- Reviewed the level of general fund reserves against plans to apply those reserves to meet budgetary pressures;</li> <li>- Reviewed the levels of current and proposed borrowing against the Prudential Borrowing Limit to confirm that the Authority plans to remain within that limit; and</li> <li>- Read the Narrative Report and Financial Statement disclosures in relation to the financial statements being prepared on a going concern basis to ensure that they were consistent with our knowledge of the</li> </ul>	
---	--	--

	Authority's financial position.	
--	---------------------------------	--

<b>E20 Onerous Contract Provision</b>		
<b>Risk</b>	<b>Our response to the risk</b>	<b>Key observations communicated to the Mayor</b>
<p>When the London Stadium commenced operations it became clear that for two of its three key contracts, the expenditure associated is likely to exceed the income received, rendering them onerous under IAS 37. A £200 million provision has therefore been recognised. This provision is updated annually based on judgements made by management in the E20 ten year business plan. In 2019/20, this will necessarily reflect progress made against the LLP's restructuring plans and any future plans. As a material, judgemental balance, the provision is susceptible to management override risk of over or understatement.</p> <p>Refer to notes 5 and 41 in the statement of accounts.</p>	<p>We addressed our risk through substantive testing:</p> <ul style="list-style-type: none"> <li>- We agreed the inputs into the provision calculation to the E20 Stadium LLP 5 year business plan and the discount rate applied.</li> <li>- We reconfirmed that management's assumptions underpinning the calculation have not materially changed since last year.</li> <li>- We reviewed key contracts and their reflection in the business plan and provision calculation.</li> <li>- We performed our own calculations of the provision varying the assumptions to assess the key sensitivities in the model.</li> </ul>	<p>The onerous contract provision has been established in accordance with requirements of IAS 37 and appears fairly stated. The uncertainties are appropriately disclosed in the financial statements.</p>

<b>Property valuation</b>		
<b>Risk</b>	<b>Our response to the risk</b>	<b>Key observations communicated to the Mayor</b>



<p>The unique and material nature of the London Legacy Development Corporation's non-current assets and the complex basis on which they are valued, means that small changes in assumptions when valuing these assets can have a material impact on the financial statements. The level of affordable housing to be provided is a key assumption within the valuations.</p> <p>A similar risk exists in relation to GLAP's property assets, which are classified as property plant and equipment, investment property or inventory. The classification and intended future use impacts directly on the valuation.</p> <p>Key assumptions lead to a high degree of judgement which gives rise to the risk of misstatement of assets due to error.</p> <p>Refer to notes 5, 26 and 37 in the statement of accounts.</p>	<p>The following procedures were performed as part of our substantive testing:</p> <ul style="list-style-type: none"> <li>- We assessed the valuations methodology applied and validated the assumptions contained in the valuations with reference to source documentation including leases, tendering information and contracts where available. Where assumptions were based on Authority or Corporation plans such as planned affordable housing, we ensured that these assumptions were up to date and, where possible, reflected in development progress.</li> <li>- We reperformed valuation calculations for a sample of assets, verifying key inputs against source documents as part of this process.</li> <li>- We used our internal valuation experts to assist in our review of whether the Group's key assumptions in relation to residual appraisals performed are within an acceptable range based on comparative market data for build costs.</li> <li>- We tested that property additions and disposals had taken place in the year, and that the valuation had been appropriately updated for them.</li> <li>- We obtained management</li> </ul>	<p>We have concluded that property valuations are within an acceptable range, and that the assumptions and associated uncertainties are appropriate and appropriately disclosed.</p>
---	---	--

	representation as to the validity of the planned affordable housing assumptions with respect to key sites.	
--	--	--

<b>Business Rates Appeal Provision</b>		
<b>Risk</b>	<b>Our response to the risk</b>	<b>Key observations communicated to the Mayor</b>
<p>The Business rates pooling provision requires individual authorities to make provision for potential refunds to ratepayers arising from successful appeals against their property valuations. To do so they must make judgements on the likelihood of appeals being successful and the financial impact of those appeals. The Greater London Authority (GLA) relies on information from the London Billing Authorities to determine its accounting entries. Business rates pooling is in place across London, administered by the City of London. The GLA will receive 27% of all business rates income in London and also record the same share of provisions, debtors and creditors on its balance sheet. The provision figure is judgemental, and errors in the underlying data or judgements made by billing Authorities could result in material error in the GLA financial statements.</p> <p>For this reason, we consider that the appeals</p>	<p>We addressed our risk through substantive testing:</p> <ul style="list-style-type: none"> <li>- We identified and assessed the steps taken by the Authority to ensure that the information provided by the London Billing Authorities has fully taken account of national trends concerning types and rates of appeals, as well as their settlement history where available.</li> <li>- We have reviewed the Authority's provision for business rate appeals to ensure it has been calculated on a reasonable basis and is compliant with the requirements of IAS 37. As part of this we ensured the provision is supported by appropriate evidence from the London Billing Authorities, specifically draft NNDR3 returns and financial statements.</li> <li>- For a sample of billing Authorities, we also obtained direct assurance from the London Billing Authorities by performing work on their calculations to</li> </ul>	<p>The appeals provision estimate falls within an acceptable range and that the uncertainties associated with determining the value of the provision have been appropriately disclosed within the financial statements.</p>

<p>provision represents risk of material error.</p> <p>Refer to notes 5 and 41 in the statement of accounts.</p>	<p>assess for reasonableness.</p> <ul style="list-style-type: none"> <li>- We assessed the differences in approaches across London Boroughs to assess whether any systemic bias could occur.</li> <li>- We tested the detailed accounting for business rates to ensure the Authority's accounts are materially accurate and compliant with the CIPFA Accounting Code in this area.</li> <li>- We also assessed the steps taken by the Authority to ensure the disruption caused by Covid-19 has not adversely impacted on the accuracy and reasonableness of the provision.</li> </ul>	
--	--	--

<b>Valuation of loan investments</b>		
<b>Risk</b>	<b>Our response to the risk</b>	<b>Key observations communicated to the Mayor</b>
<p>Greater London Authority Holdings (GLAH) Ltd holds a portfolio of loan investments in property developers, part of a wider strategy to assist in achieving the Mayor's affordable housing objectives. This portfolio is material to both the GLAH and GLA Group financial statements. These investments are accounted for in line with IFRS 9. Management have</p>	<p>We assessed the expertise and independence of management's specialist by confirming their qualifications, experience in the sector and the terms of their engagement with the GLA or subsidiary.</p> <p>We assessed the steps undertaken by management's specialist to ensure that the information used to inform the IFRS 9</p>	<p>The valuation of loan investments has been appropriately recorded, any credit losses correctly recognised and the accounting for the loans is compliant with the requirements of IFRS 9.</p>

<b>Valuation of loan investments</b>		
<p>engaged with external specialists to assist with the associated impairment review.</p> <p>Covid-19 has caused significant disruption to the UK economy, including the real estate sector. The level of credit risk associated with these investments has increased as a result. Therefore there is a higher level of complexity and estimation uncertainty in the valuation, associated with the impairment review under IFRS 9, which could lead to material misstatement.</p> <p>Refer to note 29 in the statement of accounts.</p>	<p>impairment review was reliable and accurate.</p> <p>We engaged our EY technical specialist to perform a review of a sample of loan investments and remodel the expected credit losses to compare with those in management specialist's report for any material differences.</p> <p>We reviewed a sample of loan investments to determine whether the valuation has been appropriately recorded, any credit losses correctly recognised and ensuring that the accounting is compliant with the requirements of IFRS 9.</p> <p>We ensured that the disclosures associated with the loan investments are appropriate in the Group financial statements.</p>	

<b>Valuation of long term debtors</b>		
<b>Risk</b>	<b>Our response to the risk</b>	<b>Key observations communicated to the Mayor</b>
<p>The Authority holds a material portfolio of long-term debts with various counterparties, including; functional bodies, subsidiaries, other group bodies and organisations outside of the GLA Group. These investments are accounted for in line with IFRS 9. Management have</p>	<p>We assessed the expertise and independence of management's specialist by confirming their qualifications, experience in the sector and the terms of their engagement with the GLA or subsidiary.</p> <p>We assessed the steps undertaken by</p>	<p>The valuation of long term debtors has been appropriately recorded, any credit losses correctly recognised and the accounting for the loans is compliant with the requirements of IFRS 9.</p>



<b>Valuation of long term debtors</b>	
<p>engaged with external specialists to assist with the associated impairment review.</p> <p>Covid-19 has caused significant disruption to the UK economy, including the real estate sector. The level of credit risk associated with these investments has increased as a result. Therefore there is a higher level of complexity and estimation uncertainty in the valuation, associated with the impairment review under IFRS 9, which could lead to material misstatement.</p> <p>Refer to note 34 in the statement of accounts.</p>	<p>management's specialist to ensure that the information used to inform the IFRS 9 impairment review was reliable and accurate.</p> <p>We engaged our EY technical specialist to assess the valuations of the long term debtors by reference to market data, and compare their assessment with that of the management specialist.</p> <p>We reviewed a sample of long term debtors to determine whether the valuation has been appropriately recorded and ensuring that the accounting is compliant with the requirements of IFRS 9.</p> <p>We ensured that the disclosures associated with the long term debtors are appropriate in the financial statements.</p>

## **An overview of the scope of our audit**

### **Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Authority and Group, and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the twelve reporting components of the Group, we selected seven components which represent 99% of the Group's gross expenditure, and 99% of the Groups' total assets.

Of the seven components we selected, we performed an audit of the complete financial information of two components (“full scope components”) which were selected based on their size or risk characteristics. For the remaining five components (“Specific scope components”), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

## **Materiality**

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be £58.8 million (2019: £56 million), which is 1% (2019: 1%) of group operational and capital expenditure. The magnitude of capital expenditure means that we consider both revenue and capital expenditure to be of interest to the users of the financial statements.

## **Performance materiality**

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group’s overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £44 million (2019: £42 million). In setting performance materiality at this percentage we have considered previous year audit findings, and the historic trend of adjustments. Based on prior year audits, as well as our own work to date, we have found that there is a history of low instance of error.

## **Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Mayor and Executive Director of Resources that we would report to them all uncorrected audit differences in excess of £2.9 million (2019: £2.8 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## **Other information**

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor’s report thereon. The Executive Director of Resources is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**

#### **Arrangements to secure economy, efficiency and effectiveness in the use of resources**

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, the Greater London Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

#### **Responsibility of the Executive Director of Resources**

As explained more fully in the Statement of the Executive Director of Resources' Responsibilities set out on pages 11, the Executive Director of Resources is



responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Executive Director of Resources is responsible for assessing the Authority and Group'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 Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether the Greater London Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Greater London Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Greater London Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.


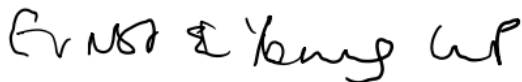
### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

This report is made solely to the members of the Greater London Authority as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Janet Dawson (Key Audit Partner)*  
*Ernst & Young LLP (Local Auditor)*  
*London*  
*4th December 2020*

The maintenance and integrity of the Greater London Authority web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Group Comprehensive Income and Expenditure Statement

2018/19	2018/19	Restated 2018/19		2019/20	2019/20	2019/20	
Gross Exp* £000	Gross Income £000	Net Exp* £000	Continuing operations	Note	Gross Exp* £000	Gross Income £000	Net Exp* £000
8,713	(76)	<b>8,637</b>	Assembly & Secretariat		9,727	(20)	<b>9,707</b>
32,679	(2,611)	<b>30,068</b>	Chief Officer		41,384	(2,931)	<b>38,453</b>
26,569	(2,232)	<b>24,337</b>	Communities & Skills		31,570	(2,389)	<b>29,181</b>
143,587	(10,704)	<b>132,883</b>	Good Growth		107,815	(12,776)	<b>95,039</b>
730,895	(8,299)	<b>722,596</b>	Housing & Land		722,467	(14,847)	<b>707,620</b>
6,050	(210)	<b>5,840</b>	Mayor's Office		6,259	(38)	<b>6,221</b>
60,534	(8,730)	<b>51,804</b>	Resources		95,176	(81,997)	<b>13,179</b>
21,142	(5,985)	<b>15,157</b>	Strategy & Communications		29,447	(7,972)	<b>21,475</b>
45,488	(7,605)	<b>37,883</b>	Olympic Legacy		43,632	(15,968)	<b>27,664</b>
5,423	(890)	<b>4,533</b>	Funding London SMEs		3,672	(3,519)	<b>153</b>
21,102	(571)	<b>20,531</b>	Corporate & Group Items		22,267	(1,113)	<b>21,154</b>
<b>1,102,182</b>	<b>(47,913)</b>	<b>1,054,269</b>	<b>Cost Of Services</b>		<b>1,113,416</b>	<b>(143,570)</b>	<b>969,846</b>
			<b>Services transferred to the Authority</b>				
-	-	-	Adult Education		186,415	(192,541)	<b>(6,126)</b>
		3,659,726	Other Operating Expenditure	11			4,509,031
		108,994	Financing and Investment Income and Expenditure	12			99,970
		98,888	Movement in the fair value of investment properties				19,410
		(5,398,437)	Taxation and Non-Specific Grant Income	13			(5,846,467)
		<b>(476,560)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>(254,336)</b>
			Share of the (surplus) or deficit on the provision of services of associates and joint ventures				-
		1,435	Tax expenses of subsidiaries				4,882
		(25,222)					
		<b>(500,347)</b>	<b>Group (Surplus) or Deficit</b>				<b>(249,454)</b>
			<b>Items that are or may be reclassified to the surplus or deficit on the provision of services</b>				
			Net change in the fair value of assets classified as Fair Value through Other Comprehensive Income	43			3,107
			<b>Items that will never be reclassified to the surplus or deficit on the provision of services</b>				
		(3,481)	(Surplus) or deficit on revaluation of non-current assets	43			(4,093)
		(11,717)	Remeasurements of the net defined benefit liability	21			(28,285)
		-	Increase/ (decrease) in Members Capital				(4,900)
		(353)	Tax on other comprehensive income				103
		<b>(15,551)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(34,068)</b>
		<b>(515,898)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(283,522)</b>

## Authority Comprehensive Income and Expenditure Statement

2018/19 Gross Exp £000	2018/19 Gross Income £000	2018/19 Net Exp £000	Gross expenditure, gross income and net expenditure of continuing operations	Note	2019/20 Gross Exp £000	2019/20 Gross Income £000	2019/20 Net Exp £000
8,713	(76)	8,637	Assembly & Secretariat		9,727	(20)	9,707
32,679	(2,611)	30,068	Chief Officer		41,384	(2,931)	38,453
26,569	(2,232)	24,337	Communities & Skills		31,570	(2,389)	29,181
143,587	(10,704)	132,883	Good Growth		107,814	(12,776)	95,038
736,493	(8,299)	728,194	Housing & Land		729,050	(14,846)	714,204
6,050	(210)	5,840	Mayor's Office		6,259	(38)	6,221
16,571	(296)	16,275	Resources		29,357	(997)	28,360
21,142	(5,985)	15,157	Strategy & Communications		29,447	(7,972)	21,475
71,811	(5,680)	66,131	Corporate and Group Items		67,730	(6,747)	60,983
<b>1,063,615</b>	<b>(36,093)</b>	<b>1,027,522</b>	<b>Cost of Services</b>		<b>1,052,338</b>	<b>(48,716)</b>	<b>1,003,622</b>
			<b>Services transferred to the Authority</b>				
-	-	-	Adult Education		186,415	(192,541)	(6,126)
<b>1,063,615</b>	<b>(36,093)</b>	<b>1,027,522</b>	<b>Surplus or deficit on continuing operations</b>		<b>1,238,753</b>	<b>(241,257)</b>	<b>997,496</b>
		3,659,726	Other operating expenditure	11			4,509,031
		80,250	Financing and investment income and expenditure	12			99,076
		(5,393,105)	Taxation and non-specific grant income and expenditure	13			(5,832,405)
		<b>(625,607)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>(226,802)</b>
			<b>Items that will be subsequently reclassified to the Surplus or Deficit on the Provision of Services</b>				
		(232)	(Surplus) or deficit on revaluation of non-current assets	43			(165)
		(11,193)	Remeasurements of the net defined benefit liability	21			(24,682)
			Net change in the fair value of assets classified as Fair - Value through Other Comprehensive Income	43			3,107
		<b>(11,425)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(21,740)</b>
		<b>(637,032)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(248,542)</b>

## Group Movement in Reserves Statement

2019/20	Note	Non-Earmarked Reserves	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries' and Joint Venture's	Group Usable	Group Unusable	Total Reserves	
		£000	£000	£000	£000	£000	£000	£000	Usable £000	Unusable £000	£000	£000	£000
<b>Balance at 1 April 2019 - Restated</b>		<b>(10,000)</b>	<b>(711,248)</b>	<b>(336,167)</b>	<b>(1,352,448)</b>	<b>(2,409,863)</b>	<b>3,385,668</b>	<b>975,805</b>	<b>(102,991)</b>	<b>270,775</b>	<b>(2,512,853)</b>	<b>3,644,615</b>	<b>1,131,762</b>
<b>Movement in reserves in year</b>													
<b>Comprehensive Expenditure and Income</b>		<b>(226,802)</b>	-	-	-	<b>(226,802)</b>	<b>(21,740)</b>	<b>(248,542)</b>	<b>(22,474)</b>	<b>(12,506)</b>	<b>(249,276)</b>	<b>(34,246)</b>	<b>(283,522)</b>
Adjustment between authority accounts and group accounts		-	-	(9,850)	-	<b>(9,850)</b>	<b>9,850</b>	-	10,628	(9,872)	<b>778</b>	(22)	<b>756</b>
Other adjustment		-	-	-	-	-	-	-	-	(11,827)	-	-	-
Adjustments between accounting basis and funding basis under regulations	9	211,518	-	(79,507)	(1,025,114)	<b>(893,103)</b>	<b>893,103</b>	-	3,602	(3,602)	<b>(889,501)</b>	<b>889,501</b>	-
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>		<b>(15,284)</b>	-	<b>(89,357)</b>	<b>(1,025,114)</b>	<b>(1,129,755)</b>	<b>881,213</b>	<b>(248,542)</b>	<b>(8,244)</b>	<b>(37,807)</b>	<b>(1,137,999)</b>	<b>855,233</b>	<b>(282,766)</b>
Transfers (to)/from Earmarked Reserves	10	15,284	(15,284)	-	-	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in year</b>		<b>-</b>	<b>(15,284)</b>	<b>(89,357)</b>	<b>(1,025,114)</b>	<b>(1,129,755)</b>	<b>881,213</b>	<b>(248,542)</b>	<b>(8,244)</b>	<b>(37,807)</b>	<b>(1,137,999)</b>	<b>855,233</b>	<b>(282,766)</b>
<b>Balance at 31 March 2020</b>		<b>(10,000)</b>	<b>(726,532)</b>	<b>(425,524)</b>	<b>(2,377,562)</b>	<b>(3,539,618)</b>	<b>4,266,881</b>	<b>727,263</b>	<b>(111,235)</b>	<b>232,968</b>	<b>(3,650,852)</b>	<b>4,499,848</b>	<b>848,996</b>

The £9.85m adjustment between Authority accounts and Group accounts adjusts group usable reserves for the impact of intra group asset sales.

## Group Movement in Reserves Statement

2018/19 Restated	Note	Non-Earmarked Reserves	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries' and Joint Venture's Usable	Authority's Share of Subsidiaries' and Joint Venture's Unusable	Group Usable	Group Unusable	Total Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2018 - Restated</b>		(35,122)	(469,759)	(231,561)	(725,511)	(1,461,953)	3,054,188	1,592,235	(115,420)	161,570	(1,577,372)	3,203,932	1,626,560
Adjustment for the restatement of financial instruments		1,399	-	-	-	1,399	19,201	20,600	(23,240)	23,734	(21,841)	42,935	21,094
<b>Restated Balance at 1 April 2018</b>		(33,723)	(469,759)	(231,561)	(725,511)	(1,460,554)	3,073,389	1,612,835	(138,660)	185,304	(1,599,213)	3,246,867	1,647,654
<b>Movement in reserves in year</b>													
<b>Comprehensive Expenditure and Income</b>		(625,607)	-	-	-	(625,607)	(11,425)	(637,032)	124,912	(3,778)	(500,695)	(15,203)	(515,898)
Adjustment between authority accounts and group accounts		-	-	(12,751)	-	(12,751)	12,751	-	-	6	(12,751)	12,757	6
Adjustments between accounting basis and funding basis under regulations	9	407,841	-	(91,855)	(626,937)	(310,951)	310,951	-	(89,243)	89,243	(400,194)	400,194	-
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>		(217,766)	-	(104,606)	(626,937)	(949,309)	312,277	(637,032)	35,669	85,471	(913,640)	397,748	(515,892)
Transfers (to)/from Earmarked Reserves	10	241,489	(241,489)	-	-	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in year</b>		23,723	(241,489)	(104,606)	(626,937)	(949,309)	312,277	(637,032)	35,669	85,471	(913,640)	397,748	(515,892)
<b>Balance at 31 March 2019-Restated</b>		(10,000)	(711,248)	(336,167)	(1,352,448)	(2,409,863)	3,385,666	975,803	(102,991)	270,775	(2,512,853)	3,644,615	1,131,762

## Authority Movement in Reserves Statement

2019/20	Note	Non - Earmarked Reserves	Earmarked Reserves	Total General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2019</b>		(10,000)	(711,249)	<b>(721,249)</b>	(346,018)	(1,352,449)	<b>(2,419,715)</b>	<b>3,395,519</b>	<b>975,804</b>
<b>Movement in reserves during the year</b>									
Total Comprehensive Expenditure and Income		(226,802)	-	<b>(226,802)</b>	-	-	<b>(226,802)</b>	(21,740)	<b>(248,542)</b>
Adjustments between accounting basis and funding basis under regulations	9	211,519	-	<b>211,519</b>	(79,507)	(1,025,114)	<b>(893,102)</b>	<b>893,102</b>	-
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>		<b>(15,283)</b>	-	<b>(15,283)</b>	<b>(79,507)</b>	<b>(1,025,114)</b>	<b>(1,119,904)</b>	<b>871,362</b>	<b>(248,542)</b>
Transfers (to)/from Earmarked Reserves	10	15,283	(15,283)	-	-	-	-	-	-
<b>(Increase)/Decrease in year</b>		-	<b>(15,283)</b>	<b>(15,283)</b>	<b>(79,507)</b>	<b>(1,025,114)</b>	<b>(1,119,904)</b>	<b>871,362</b>	<b>(248,542)</b>
<b>Balance at 31 March 2020 carried forward</b>		<b>(10,000)</b>	<b>(726,532)</b>	<b>(736,532)</b>	<b>(425,525)</b>	<b>(2,377,563)</b>	<b>(3,539,619)</b>	<b>4,266,881</b>	<b>727,262</b>

## Authority Movement in Reserves Statement

2018/ 19	Note	Non - Earmarked Reserves	Earmarked Reserves	Total General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2018</b>		(35,122)	(469,759)	(504,881)	(254,163)	(725,512)	(1,484,554)	3,076,790	1,592,236
Adjustments for the restatement of financial instruments		1,399	-	1,399	-	-	1,399	19,201	20,600
<b>Restated Balance at 1 April 2018</b>		<b>(33,723)</b>	<b>(469,759)</b>	<b>(503,482)</b>	<b>(254,163)</b>	<b>(725,512)</b>	<b>(1,483,155)</b>	<b>3,095,991</b>	<b>1,612,836</b>
<b>Movement in reserves during the year</b>									
Total Comprehensive Expenditure and Income		(625,607)	-	(625,607)	-	-	(625,607)	(11,425)	(637,032)
Adjustments between accounting basis and funding basis under regulations	9	407,840	-	407,840	(91,855)	(626,937)	(310,952)	310,952	-
<b>Net (Increase)/ Decrease before Transfers to Earmarked Reserves</b>		<b>(217,767)</b>	<b>-</b>	<b>(217,767)</b>	<b>(91,855)</b>	<b>(626,937)</b>	<b>(936,559)</b>	<b>299,527</b>	<b>(637,032)</b>
Transfers (to)/ from Earmarked Reserves	10	241,490	(241,490)	-	-	-	-	-	-
<b>(Increase)/ Decrease in year</b>		<b>23,723</b>	<b>(241,490)</b>	<b>(217,767)</b>	<b>(91,855)</b>	<b>(626,937)</b>	<b>(936,559)</b>	<b>299,527</b>	<b>(637,032)</b>
<b>Balance at 31 March 2019 carried forward</b>		<b>(10,000)</b>	<b>(711,249)</b>	<b>(721,249)</b>	<b>(346,018)</b>	<b>(1,352,449)</b>	<b>(2,419,714)</b>	<b>3,395,518</b>	<b>975,804</b>

## Balance Sheet

		Authority	Group	Authority	Restated Group
	Note	31 March 2020 £000	31 March 2020 £000	31 March 2019 £000	31 March 2019 £000
Property, plant & equipment	25	5,415	149,222	4,411	86,914
Investment property	26	-	134,358	-	158,976
Intangible assets		3,212	3,351	2,311	2,495
Long term investments	29	245,894	713,672	223,948	582,964
Investment in Limited Partnership	49	-	2	-	-
Long term debtors	34	782,459	129,583	762,798	130,290
Finance lease receivables	35	-	80,228	-	82,019
<b>Long Term Assets</b>		<b>1,036,980</b>	<b>1,210,416</b>	<b>993,468</b>	<b>1,043,658</b>
Short term investments	50	2,035,622	2,046,089	1,586,359	1,586,936
Finance lease receivables	35	-	61,156	-	16,662
Inventories	37	-	212,264	-	246,544
Trade and other receivables	38	964,740	705,376	1,051,388	828,188
Cash and Cash Equivalents	39	1,598,138	1,676,970	941,433	1,017,685
<b>Current Assets</b>		<b>4,598,500</b>	<b>4,701,855</b>	<b>3,579,180</b>	<b>3,696,015</b>
Short term borrowing	50,51	(153,380)	(152,880)	(241,458)	(207,755)
Short term creditors	40	(320,084)	(410,594)	(464,084)	(551,841)
Receipts in advance - revenue	16	(180,282)	(180,911)	(4,516)	(5,355)
Receipts in advance - capital	16	(76,355)	(76,355)	(93,439)	(93,439)
Finance lease liabilities	35	-	(1)	-	(1)
Provisions	41	-	(32,673)	-	(26,992)
<b>Current Liabilities</b>		<b>(730,101)</b>	<b>(853,414)</b>	<b>(803,497)</b>	<b>(885,383)</b>
Long term creditors		(2,078)	(66,064)	(2,094)	(31,726)
Provisions	41	(187,439)	(358,048)	(280,818)	(457,580)
Long term borrowing	50,51	(5,305,229)	(5,310,829)	(4,314,642)	(4,314,642)
Finance lease liabilities	35	-	(36)	-	(37)
Net pensions liability	21	(136,353)	(153,635)	(145,495)	(163,856)
Receipts in advance - revenue	16	-	-	(362)	(362)
Receipts in advance - capital	16	(1,542)	(8,095)	(1,544)	(6,979)
Deferred tax liability	52	-	(11,146)	-	(10,872)
<b>Long Term Liabilities</b>		<b>(5,632,641)</b>	<b>(5,907,853)</b>	<b>(4,744,955)</b>	<b>(4,986,054)</b>
<b>Net Assets/(Liabilities)</b>		<b>(727,262)</b>	<b>(848,996)</b>	<b>(975,804)</b>	<b>(1,131,763)</b>
Usable reserves		(3,539,619)	(3,650,852)	(2,419,713)	(2,512,852)
Unusable Reserves	43	4,266,881	4,499,848	3,395,517	3,644,615
<b>Total Reserves</b>		<b>727,262</b>	<b>848,996</b>	<b>975,804</b>	<b>1,131,763</b>



## Cash Flow Statement

	Note	Authority 2019/20 £000	Group 2019/20 £000	Authority 2018/19 £000	Restated Group 2018/19 £000
Net surplus or (deficit) on the provision of services		226,802	249,520	625,607	500,347
Adjustments to net surplus or deficit on the provision of services for non-cash movements	44	67,814	90,377	(412,662)	(178,589)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	45	(1,784,955)	(1,816,921)	(1,174,460)	(1,179,454)
<b>Net cash flows from Operating Activities</b>		<b>(1,490,339)</b>	<b>(1,477,024)</b>	<b>(961,515)</b>	<b>(857,696)</b>
Investing Activities	46	1,236,348	1,083,088	773,829	580,797
Financing Activities	47	910,696	1,053,222	495,510	633,985
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>656,705</b>	<b>659,286</b>	<b>307,824</b>	<b>357,086</b>
Cash and cash equivalents at 1 April	39	941,433	1,017,684	633,609	660,598
<b>Cash and cash equivalents at 31 March</b>		<b>1,598,138</b>	<b>1,676,970</b>	<b>941,433</b>	<b>1,017,684</b>

## Notes to the Core Financial Statements

### 1. Changes in accounting policies, prior period restatements and reclassifications

The Group has consistently applied the accounting policies set out in Note 2 to all periods presented in these financial statements.

There has been a prior period adjustment to reflect a reduction of £103.7m in the value of LLDC's investment property values. During the course of the 2019/20 valuation exercise an error was discovered whereby an element of a development platform was duplicated in the draft valuation. It was subsequently discovered that the same error had been present in the valuation for 2018/19, resulting in a material misstatement. The error has been corrected within the restated group investment property values for 2018/19. The investment property values at 31 March 2019 were previously reported at £262.6m and this value has been revised down to £158.9m. This was an isolated occurrence and a consequence of human error from the valuers.

This change also impacts the deferred tax liability, which is based on values of investment property and other fixed assets. A revised deferred tax calculation has been performed for 2018/19 based on the revised investment property valuation. The 2018/19 deferred tax liability, as reported in the 2018/19 accounts, was £28.5m and has been revised down by £17.6m to £10.9m.

### 2. Accounting Policies

#### i. Code of Practice

The Statement of Accounts summarises the Greater London Authority's ("GLA"/" the Authority") and the GLA Group's ("the Group") transactions for the 2019/20 financial year and its position at 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code") and the International Financial Reporting Standards ("IFRS") adopted by the European Union ("Adopted IFRS").

The Group financial statements have been prepared in accordance with the Code.

#### ii. Basis of Accounting

The accounts are prepared as at 31 March.

The accounting policies set out below, have been applied consistently to all periods presented in these financial statements.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Where items are considered significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader's understanding of the Authority and Group's financial performance.

### iii. Basis of Preparation of Group Accounts

The Code requires local authorities with, in aggregate, material interests in subsidiary and associated companies and joint ventures, to prepare group financial statements.

The Group's financial statements incorporate the financial statements of the Greater London Authority and its subsidiaries prepared as at the year-end date. Where significant, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used in line with other GLA Group entities.

### Subsidiaries

The Group accounts presented with the Authority's accounts consolidate the individual accounts of the Greater London Authority and its subsidiaries.

A subsidiary is an entity over which the Authority exercises or has the potential to exercise control. The income, expenditure, assets and liabilities of subsidiaries have been consolidated on a line-by-line basis, except for London Travel Watch, London Treasury Limited and London Power Co. Limited which have been excluded on materiality grounds. Material intragroup transactions and balances between the remaining GLA Group entities are eliminated.

The Authority's subsidiaries are:

Subsidiaries and sub-subsidiaries	Principal Activities
Greater London Authority Holdings Limited (GLAH)	Holding company
◦ GLA Land and Property Limited (GLAP)	Development, sale and rental of land and buildings
◦ London Treasury Limited (LTL)	Fund management services
◦ London Power Co. Limited (LPC)	Energy services
London Legacy Development Corporation (LLDC)	Regeneration of the Queen Elizabeth Olympic Park
◦ E20 Stadium LLP (E20)	Running the London Stadium
◦ London Stadium 185 Limited (LS185) (subsidiary of E20)	London Stadium operator
◦ Stratford East London Holdings Limited	Holding company and member of E20 Stadium LLP
Old Oak and Park Royal Development Corporation (OPDC)	Regeneration of Old Oak and Park Royal

SME Wholesale Finance Limited (SMEWFL)	Financing of small and medium businesses
◦ London Co-Investment Fund LLP (LCIF)	Financing of small and medium businesses
◦ Greater London Investment Fund Limited (GLIF)	Financing of small and medium businesses
London Travel Watch (LTW)	Transport watchdog

On materiality grounds, LTL, LTW and LPC are not consolidated in the GLA's group accounts.

\* London Power Co. Limited was established on 19 July 2019 and in partnership with Octopus Energy Limited provides energy services to Londoners.

#### **iv. Going Concern**

The financial statements have been prepared on a going concern basis as it is considered by the Mayor that the activities of the GLA and the GLA Group will continue in operational existence for 12 months following the date of the auditor's report by meeting its liabilities as they fall due for payment.

The on-going coronavirus pandemic has had a significant impact on the UK economy and will negatively impact the collection rates for business rates and council tax income. Local Authorities have submitted monthly returns to MHCLG which forecast an average of 7% reduction in Council Tax income in 2020/21 and 2021/22 and an 11% in Business Rates by March 2022. In forecasting funding levels for 2020/21 and 2021/22, the Authority has modelled three scenarios, the first assumes business rates income is maintained at current levels and council tax reduced by 7%, the second assumes business rates allocations are reduced to the GLA group's baseline funding level for both years and the third assumes council tax falls by 7% in each year and business rates fall by 11% by March 2022. These indicate a potential loss to the GLA group ranging from £70m - £200m in 2020/21 and £70m - £326m in 2021/22. These estimates will be kept under review pending the confirmation of actual 2020/21 collection fund deficits and 2021/22 taxbases in January 2021. To address these forecast shortfalls, the GLA and its functional bodies are taking action to identify savings in 2020/21 and will continue work on this in the 2021/22 budget setting process.

Despite these funding challenges and other uncertainties, the Authority's financial standing is strong and is forecast to remain so for 12 months following the date of the auditor's report. The GLA currently has access to £3.634bn of cash and liquid assets and forecasts are that cash balances will remain in excess of £2bn for 12 months following the date of the auditor's report. At 31 March 2020, the Authority's borrowing totals £5.459bn, repayable over the period 2020/21 to 2035/36. The borrowing relates primarily to Crossrail, with repayment funded by the Crossrail business rates supplement and the Mayor's Communities Infrastructure Levy. The Authority is not forecasting a need to borrow for cashflow purposes.

At 31 March 2020 the Authority's usable revenue reserves totalled £737m, of which two reserves, the business rates reserve (£127m) and the strategic investment fund (SIF) reserve (£171m) offer scope for deployment across the GLA groups to meet funding pressures or could be used to reduce the forecast savings targets.

As the ultimate funder of LLDC, the GLA is exposed to the financial risks of its subsidiary, E20 Stadium LLP. The LLDC long term model forms the basis for the GLA's assessment of the Corporation's financial obligations. The assumptions that underpin this incorporate independent professional advice to establish the expenditure requirements for the Corporations' development sites and the capital receipts that they will generate to repay its loan to the GLA. This continues to demonstrate that sufficient receipts can be generated and is subject to on-going review. The Corporation's borrowing limit remains capped at £520 million and the GLA will continue to provide additional grant funding if necessary to ensure that this level is not breached. There are significant East Bank cost pressures, compounded by the response to and implications of Covid-19.

The GLA's cash balances continue to mean that all cashflow requirements can be met and the Capital Funding Reserve for LLDC had a balance of £145.2 million at the end of March 2020 which includes an addition of £24 million to enable the East Bank contingency budget to be increased. The additional cost pressures to 2023/24 that have emerged can be funded by capital receipts over the longer term, but in light of this risk a further £20.5m is proposed to be earmarked from the Strategic Investment Fund to meet immediate pressures on LLDC and further provision is being considered as part of the GLA Group's Medium Term Financial Strategy and use of reserves. The LLDC model will be reviewed in detail as part of the 2021/22 budget development submission and this will include testing the impact of different assumptions, for example long term house price inflation.

The Authority is also exposed to the financial risks of its subsidiaries Greater London Authority Holdings group, the Funding London group and the Old Oak Park Corporation. It is management's view that none of these subsidiaries poses a significant financial risk to the Authority. GLAH group has a strong balance sheet with net assets of £231m as at 31 March 2020. Funding London investments are reviewed at the GLA's Financial Risk Oversight Board on a quarterly basis and the view is that these loans do not represent a material risk to the GLA at present. OPDC's budget for 2020/21 is relatively small - £6.8m - and it does not have planned capital spending in the short term.

Having assessed the funding challenges and other uncertainties faced by the GLA Group, the Mayor considers it appropriate to adopt the going concern basis in preparing these financial statements given the Group's strong liquidity and reserves position and the ongoing action taken by the Authority to reduce spend commensurate with the forecast reduction in funding.

## **E20 Stadium LLP**

As the ultimate funder of LLDC, the GLA is exposed to the financial risks of its subsidiary, E20 Stadium LLP. The GLA continues to be committed to meeting the funding requirements of E20 Stadium LLP. It has agreed funding for E20 for 2020/21 through the GLA statutory budget process and recognises funding within LLDC's plan until 2023/24. Given the commitment made to UK Athletics, the GLA expects that funding will be provided up to and including 2022/23.

## **Crossrail**

As part of the funding solution to Crossrail's cost overruns the GLA committed to pay TfL a further £1.4bn, under an agreement with the Department for Transport in December 2018. This additional sum comprises £1.3bn of borrowing and a £0.1bn direct contribution which will be financed and repaid from the Crossrail Business Rate Supplement (BRS) and the Mayor's Community Infrastructure Levy (MCIL). In line with the commitments given in the revised funding package from 2019/20 the GLA was permitted under regulations approved by Parliament (The Community Infrastructure Levy (Amendment) (England) Regulations 2019 – 2019 966) to apply MCIL for capital financing purposes for Crossrail.

Up to 31 March 2020 the GLA had paid all but £0.1bn of this extra contribution resulting in the GLA's total contribution to Crossrail since April 2010 exceeding £6.1 bn including direct contributions from BRS and MCIL revenues made prior to 1 April 2019. In August 2020 it was confirmed that up to an additional £1.1billion of funding might be required to complete the Crossrail project, a £450m increase on the previous estimate made in March 2020. Negotiations will be taking place between the GLA, TfL and the Department for Transport to agree how this additional cost pressure will be managed and financed. The Authority anticipates that in order to repay its Crossrail debt the BRS is likely to be required to be levied until the late 2030s and that MCIL revenues will be required to be applied until the early to mid-2030s.

## **v. Prior Period Adjustments, Changes in Accounting Policies and Errors and Estimates**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of a transaction, other events and conditions on the Group's financial position or financial performance. Where a change is made, it is applied retrospectively as if the new policy had always been applied (unless stated otherwise), by adjusting the comparative amounts for the prior period and the opening balances, if the adjustments have had a material effect on the financial position at the beginning of the comparative period, see note 1.

Material errors discovered in prior period figures or reclassifications are corrected retrospectively by adjusting the comparative amounts for the prior period and the opening balances, if the

adjustments have had a material effect on the financial position at the beginning of the comparative period, see note 1.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

#### **vi. Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue (see Note 6). Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

#### **vii. Accruals of income and expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue is recognised when the Group has a contract with a customer and a performance obligation has been satisfied, at the transaction price allocated to that performance obligation. Where payment is deferred, the transaction price is adjusted for the time value of money.
- Development properties and land sales - Revenue is recognised in the income statement when control has been transferred to the purchaser. It is considered that control passes on legal completion. Revenue is recognised at the fair value of the consideration received or receivable on legal completion.
- Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet, see Inventories accounting policy xxii for further details;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- Interest receivable on investments and payable on borrowings are accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but the cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance, is applied and the resulting changes to impairment loss is written off to the Comprehensive Income and Expenditure Statement (CIES).

### **viii. Government Grants and Third-Party Contributions**

#### **Revenue grants**

Whether paid on account, by instalments or in arrears, revenue government grants and third-party revenue contributions and donations are recognised as due to the Group when there is reasonable assurance that:

- the Group will comply with the conditions attached to the payments; and
- the revenue grants or contributions will be received.

Amounts recognised as due to the Group are not credited to the CIES until conditions, attached to the revenue grant or contribution, have been satisfied. Conditions are stipulations that specify how the revenue grant should be used by the Group, and which if not met require the grant to be returned to the transferor.

Monies advanced as revenue grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the revenue grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the CIES.

Where revenue grant income has been received that has no conditions attaching to it, but where the grant has yet to be applied and there are restrictions as to how the monies are to be applied, the Group recognises this income in the CIES and then earmarked until it is applied.

#### **Capital grants**

Capital grants recognised as due are not credited to the CIES until conditions attached to the capital grant have been satisfied. They are carried in the Balance Sheet as creditors (receipts-in-advance) until the conditions have been met.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital



expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

**ix. Council Tax Accounting**

The GLA is the only major preceptor on the 32 London Boroughs and City of London Corporation.

In their capacity as billing authorities, the boroughs and the City of London Corporation, act as the GLA's agent: they collect and distribute council tax income on behalf of themselves and the GLA.

The council tax income included in the CIES for the year will be the accrued income for that year. The difference between the income included in the CIES and the amount required by statute to be credited to the General Fund is managed by a transfer to or from the Collection Fund Adjustment Account in the Movement in Reserves Statement.

This ensures that the amount included in the General Fund is as required under statute and is the precept for the year plus the preceptor's share of the Council Tax surplus on the billing authorities' Collection Fund for the previous year or less its share of the Council Tax deficit on the Collection Fund for the previous year.

Since the collection of council tax is in substance an agency arrangement, the cash collected by the boroughs and the City of London Corporation from council tax debtors belongs proportionately to them and the GLA. A debtor/creditor position between these billing authorities and the GLA is recognised since the net cash paid to the GLA in the year will not be its share of cash collected from council taxpayers.

**x. Non-domestic rates**

In their capacity as billing authorities, the 32 boroughs and the City of London Corporation, act as the Greater London Authority and the Secretary of State's agent: they collect and distribute non-domestic rates income on behalf of themselves, the Secretary of State and the GLA in proportion to the agreed shares set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.

The non-domestic rates income included in the CIES for the year will be the GLA's share of accrued income for that year including any additional income in relation to the London business rates pool. The difference between the income included in the CIES and the amount required by statute to be credited to the General Fund is managed by a transfer to or from the Collection Fund Adjustment Account in the Movement in Reserves Statement.

This ensures that the amount included in the General Fund is as required under statute and is the Authority's proportionate share of non-domestic rates for the year plus the Authority's share of the

Non-Domestic Rates surplus on the billing authorities' Collection Fund for the previous year or less its share of the Non-Domestic Rates deficit on the Collection Fund for the previous year.

Since April 2017 the GLA has participated in business rates retention pilot arrangements. The GLA retains a higher share of business rates income than under the previous arrangements to replace funding formerly paid as grants from central government (TfL's capital investment grant, the revenue support grant for fire services and the GLA, and council tax freeze funding for the police).

Under the rates retention scheme the GLA was a top up authority in 2019/20, as its allocated share of business rates revenues is lower than its baseline funding set by the Secretary of State as approved in the Local Government Settlement – the difference between these two amounts being the top up receivable through the London pilot. Where an authority's business rates income is higher than its baseline funding it makes a tariff payment to MHCLG for the difference. From 2013/14 to 2018/19 the GLA was a tariff authority and will again be so in 2020/21. Its top up position in 2019/20 reflected a temporary reduction to 27% in its statutory share of business rates income under the London 75% business rates pilot.

Top-up receipts from and tariff payments to central government along with safety net receipts and levy payments, if applicable, are recognised in the Comprehensive Income and Expenditure Account within the Surplus or Deficit on Provision of Services. The GLA did not receive a safety net payment and was not required to pay a levy under the 2019/20 London pilot.

For 2019/20, the Government extended the pilot arrangement for London albeit on a lower retention share compared to the 100% retention pilot in 2018-19 involving the GLA and the 33 London billing authorities. This pilot enabled London government to share 75 per cent of the additional business rates growth generated through the pool, as it will be subject to no levy on any additional growth in revenues generated excluding the impact of the 2017 revaluation. In 2019/20 the GLA's share of retained rates collected in London is 27 per cent compared to 36 per cent in 2018/19.

As part of the pilot arrangements for 2019/20 it was agreed by the Mayor that the GLA's incremental revenue arising from the pilot, over what it would have received if this had not proceeded, would as in 2018/19 be applied to fund strategic investment projects. In total the estimated net additional benefit to the GLA from the London 75 per cent retention pilot based on the agreed distribution model was budgeted at £52.4 million with a further £8.3 million applied from the 2018/19 surplus making a total of £60.7 million. This income has been transferred to the Strategic Investment Fund reserve specifically created following the establishment of the 2018/19 London pilot. In 2019/20 £13.6 million of the funds held in the SIF reserve were applied on strategic investment projects. The provisional outturn for the London business rates retention pilot taking into account the 33 billing authority NNDR3 returns for 2019/20 suggests that the total sum which will need to be applied for strategic investment purposes in line with the pilot agreement is around

£12.6 million higher than the budgeted allocation of £60.7million and this accrued sum has also been credited to the SIF reserve.

Since the collection of non-domestic rates is in substance an agency arrangement, the cash collected by the boroughs and the City of London Corporation from non-domestic rates debtors belongs proportionately to them, the GLA and, for prior years, notionally in respect of their centrally retained share the Secretary of State. A debtor/creditor position between these billing authorities and the GLA is recognised since the net cash paid to the GLA in the year will not be its share of cash collected from non-domestic rate payers.

Under the business rates retention pilot the GLA also has a debtor position with the City of London – the lead authority for the London pool - as the net benefit from the pilot is higher than estimated at the start of the financial year.

The GLA acts as an agent of the City of London in respect of managing cashflows and transfers between billing authorities under the pilot agreement but at the financial year end only retains those sums due to the GLA for its purposes. The City of London makes the collective tariff payment for the pool – the net sum by which the adjusted business rates baseline income for London exceeds the aggregate funding baseline for the 34 pool members– directly to MHCLG.

#### **xi. Crossrail Business Rate Supplement**

The GLA is empowered to levy a business rate supplement under the Business Rate Supplements Act 2009. It published a prospectus in January 2010 confirming its intention to levy a BRS to finance £4.1 billion of its contribution towards the cost of the Crossrail Transport project. It may therefore only apply its Business Rate Supplement revenues in respect of expenditure relating to this project.

The GLA accounts for its BRS related expenditure (its contribution to the Crossrail project) within the CIES and its interest payable on the associated borrowing within financing and investment income. BRS income is presented within “Taxation and Non-Specific Grant Income”. As the GLA is required to refund BRS levies that have not been used to finance the project (e.g. where the imposition of the Business Rate Supplement has come to an end) any BRS income is therefore subject to a condition, and therefore all BRS receipts are initially recognised as a creditor.

The GLA receives amounts in respect of BRS from billing authorities during the year based on a provisional estimate at the start of the year net of reliefs, borough collection costs and a 5% contingency allowance. After the financial year-end each billing authority calculates the amount it has collected in BRS after allowing for collection and other costs. This uses a different methodology - as specified in section 7 to Schedule II of the BRS Transfers to Revenue Business Rate Supplements (Transfers to Revenue Accounts) (England) Regulations 2009.

The amount calculated as having been collected in BRS under this methodology is based on the total amount paid into each billing authority's collection fund in business rates and BRS multiplied by the share which BRS liabilities represent of the total business rates liability for all ratepayers (including those not liable for BRS) adjusted for prior year liabilities and refunds. A debtor or creditor is raised depending on whether the amount calculated as having been collected is higher or lower than the amount paid in instalments based on the provisional estimate. There is no direct relationship between the methodology used to calculate the provisional returns and the final returns.

The GLA recognises its BRS revenue as income in the CIES only at the point the conditions it has set out in its final prospectus are satisfied (i.e. at the point that it makes its contribution to the Crossrail project by means of a payment made to Transport for London and is credited by them to the Crossrail Sponsor Funding Agreement (SFA) Account). This SFA account is administered by Transport for London and all monetary contributions by the GLA, TfL and the Secretary of State for Transport towards the cost of the project are paid into it.

The GLA has recognised all revenue expenditure (including interest incurred on that element of its contribution financed by borrowing) relating to its contribution towards the Crossrail project as expenditure in the relevant service revenue account(s) as it is incurred. Its contributions paid to Transport for London in respect of Crossrail have been recognised as Revenue Expenditure Funded from Capital under Statute ("REFCUS").

Where revenue expenditure is incurred in respect of a BRS project, the GLA transfers an amount equal to that expenditure from the Business Rate Supplement Account to the General Fund as the expenditure is incurred. Were capital expenditure in respect of a BRS project to be incurred, the GLA would transfer an amount equal to the capital expenditure from the Business Rate Supplement Account to the Capital Adjustment Account as the capital expenditure is incurred.

Where capital expenditure in respect of a BRS project has been funded from borrowing, the GLA transfers from its Business Rate Supplement Revenue Account to its General Fund an amount equal to the sum of the Minimum Revenue Provision ("MRP") and interest charged to the General Fund in the year in respect of the BRS project. These transfers are reported in the Movement in Reserves Statement. As the GLA does not generate an asset from its BRS contributions no depreciation or impairment of assets are financed from BRS levies.

The GLA transfers an amount equal to its income receivable in respect of the Crossrail project once recognised in the financial year (net of administrative expenses incurred by it and the 33 billing authorities in London) from its General Fund to its Business Rate Supplement Revenue Account. Any difference between the cumulative income transferred to the Business Rate Supplement Revenue Account and the amount required by regulation to be transferred to that account (i.e. the

amount reported by billing authorities as having been collected as specified in the BRS Transfers to Revenue Accounts regulations) is credited or debited to that account, with the corresponding debit or credit being made to the Collection Fund Adjustment Account.

Where the GLA's BRS Revenue Account is in deficit, it transfers an amount equivalent to the deficit from its General Fund to the Business Rate Supplement Revenue Account; this transfer being reported in the Movement in Reserves Statement.

Any deficit may be recaptured in future years from any surpluses arising on the account. Where deficits arise as a result of capital grants made to TfL (as above), capital finance regulations and the GLA's minimum revenue provision policy ensure that there is no net impact on the General Fund. Therefore, the GLA's contribution to Crossrail has no impact on the Precept or council taxpayer.

Where the GLA's BRS Revenue Account is in surplus, it transfers the surplus to its General Fund to the extent that this reverses any amounts charged to that fund in the ten years immediately preceding the financial year having regard to the requirements of the BRS Accounting Regulations; this transfer being reported in the Movement in Reserves Statement.

As a result of the delay in completing the Crossrail project, the Mayor agreed, in December 2018, that the GLA would provide a further £1.4 billion contribution to the project, to be paid to TfL as a capital grant. This is being funded in cash terms using £100m unapplied BRS revenues held as a provision against revaluation, financing cost and business rates appeals risks from prior years, and a £1.3 billion loan from the Department for Transport. This loan will be financed and repaid over an agreed period of 10 years using revenues from the Crossrail BRS and MCIL.

In line with the final prospectus, it is estimated currently that the BRS for Crossrail will run for a period of 24 to 31 years with a current target end date of 2037/38 and raise no more than £8.1 billion to finance and repay debt and/or provide a direct contribution towards Crossrail construction costs. This will be reviewed should the GLA be required to make a contribution towards the additional £1.1 billion of funding estimated to be required to complete the Crossrail project announced by TfL in August 2020.

Where, in the final year of the BRS, and in the case of the GLA its associated borrowing has been repaid which is not expected to be before the late 2030s - the Business Rate Supplement Revenue Account is in surplus, the GLA will transfer this surplus to the Collection Fund Adjustment Account. These surplus funds will be transferred to each billing authority in proportion to the amounts paid in BRS by that authority over the lifetime of the BRS. Where such sums are material these surpluses will be repaid to those ratepayers liable to the BRS in its final year by that billing authority.

## **xii. Community Infrastructure Levy (CIL)**

The Authority has elected to charge a Mayoral CIL. The levy is charged on new builds (chargeable developments for the Authority) with appropriate planning consent. Under existing legislation, the GLA's CIL may only be applied to fund transport projects and the income from the levy is currently being used to fund Crossrail.

The Authority is the chargeable body and the London Boroughs and City of London Corporation – the 33 collecting authorities - collect the levy on the Authority's behalf. Transport for London manages the administration of CIL on behalf of the GLA under an agency arrangement.

Prior to 2019/20 MCIL income was paid into the Crossrail Sponsor Funding Agreement Account held by Transport for London before being applied by it to fund the Crossrail project.

From 2019/20 the GLA has been permitted under regulations approved by Parliament (The Community Infrastructure Levy (Amendment) (England) Regulations 2019) to apply MCIL for capital financing purposes for Crossrail. MCIL income retained by GLA from 1 April 2019 is now reported as part of the Crossrail revenue account which includes the statutory BRS revenue account. This ensures that all the funds received and applied to fund the GLA's contributions to Crossrail and its associated financing costs are reported in one account.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the CIES in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion, of the charges, has been used to fund revenue expenditure. Further details on the CIL can be found in note 24.

## **xiii. Exceptional Items**

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the Group's financial performance.

## **xiv. Charges to Revenue for Non-Current Assets**

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and

- amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the annual contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **xv. Employee Benefits**

### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as salaries, other remuneration, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Group. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Group to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service in the CIES at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Group to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

### **Post-Employment Benefits**

Group employees are members of the following pension schemes:

- *Local Government Pension Scheme (LGPS)*: Authority, LLDC and OPDC staff
- *London Principal Civil Service Pension Scheme (PCSPS)*: TravelWatch
- *AVIVA*: GLA Assembly members

### **The Local Government Pension Scheme**

The Local Government Pension Scheme in respect of GLA, LLDC and OPDC employees is administered by the London Pensions Fund Authority (LPFA) and is accounted for as a defined benefits scheme:

- The liabilities of the LPFA pension scheme attributable to the Authority, LLDC and OPDC are included in the balance sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, at a discount rate of 2.35%. An estimate of the Authority's future cashflows is made using notional cashflows based on an estimated service liability of 26 years. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30-year point). The assets of the LPFA pension fund attributable to the Authority, LLDC and OPDC are included in the Balance Sheet at their fair value as follows:
  - Quoted securities- bid value to bid value basis
  - Unquoted securities-professional estimate
  - Unitised securities- bid value to bid value basis
  - Property-market value

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - current service cost – the increase in liabilities, as a result of years of service earned this year-allocated in the CIES to the services for which the employees worked;
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs; and



- interest on the net defined benefit liability, i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in the interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with the assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary benefits**

Discretionary awards of retirement benefits are sometimes made in the event of early retirements. Any liabilities estimated to arise as a result of an award to a member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **The Principal Civil Service Pension Scheme**

The PCSPS is a multi-employer, unfunded, defined benefit scheme and it is therefore not possible to identify its share of the underlying liabilities. The scheme is accounted for as if it were a defined contribution scheme – no liability for future payments is recognised in the balance sheet and revenue is charged with the employer’s contributions payable to the PCSPS in the year. The staff at London TravelWatch are members of the scheme.

### **Greater London Authority AVIVA master trust scheme**

The Greater London Authority AVIVA master trust scheme is a defined contribution scheme open to the Mayor and Assembly Members. As it is a defined contribution scheme no liability for future payments is recognised in the balance sheet and revenue is charged with the employer's contributions payable in the year. The scheme commenced on 1 March 2018.

### **Allianz Pensions Scheme (London House Brussels staff)**

On 1 January 2020, Brussels staff pensions transferred from the LGPS to a group insurance scheme operated by Allianz. This is a defined contributions scheme open solely to the three staff employed in the Authority's Brussels office. As it is a defined contribution scheme, no liability for future payments is recognised in the balance sheet and revenue is charged with the employer's contributions payable in the year.

## **xvi. Fair Value**

The Group measures some of its non-financial assets such as investment properties and some of its financial instruments such as equity mortgages at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in its absence, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interests.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

## **xvii. Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Group has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. Where material, the Group has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVTPL), and
- fair value through other comprehensive income (FVOCI)

## Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Group, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Group has made a number of loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

## Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost and at FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables. Only lifetime losses are recognised for trade receivables (debtors) held by the Group.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Group has a portfolio of a significant number of loans to subsidiaries and property developers. Losses have been assessed on an individual instrument basis, excluding loans to other local authorities as the Code excludes loans to other local authorities from impairment assessments.

## Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets measured at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method and losses and impairment are recognised in the CIES. Other net gains and losses are recognised in Other Comprehensive Income (OCI). On derecognition, gains and losses accumulated in OCI are reclassified to the CIES within Financing and Investment Income and Expenditure.

## Financial Assets Measured at Fair Value through Profit of Loss (FVTPL)

Financial assets that do not meet the tests to be measured at amortised cost or at FVOCI are measured at FVTPL. They are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

#### **xviii. Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in ninety days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority and group members' cash management.

#### **xix. Foreign Currency Translation**

Where the Group has entered into a transaction denominated in a foreign currency, the transaction is converted to sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the CIES.

#### **xx. Interests in Companies and Other Entities**

The Authority has material interests in companies and other entities that have the nature of subsidiaries and associates that require it to prepare group accounts.

#### **xxi. Inventories**

##### **Greater London Authority Holdings Ltd**

Land and buildings held for sale in the normal course of business are classified as inventories. They are valued annually, by external professionally qualified valuers, at the lower of cost and net realisable value.

Inventory costs are comprised of direct materials, direct labour costs and those overheads which have been incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Land is recognised as inventory when control has been transferred.

Non-refundable land option payments are initially recognised in inventory and are written off to the income statements when it is probable that they will not be exercised.

## **xxii. Leases**

### **Finance Leases (the Group as lessee)**

#### **Leased Assets**

Leases are identified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

#### **Lease Payments**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rents are charged as expenses in the periods in which they are incurred.

### **Finance Leases (the Group as lessor)**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

### **Operating Leases (the Group as lessee)**

Rentals paid under operating leases are charged to the CIES as an expense of the services that benefit from use of the leased property, plant or equipment.

Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

### **Operating Leases (the Group as lessee)**

Rental income from operating leases and initial direct costs are recognised in the CIES on a straight-line basis over the term of the relevant lease.

### **xxiii. Intangible Assets**

Expenditure, of £10,000 and above, on non-monetary assets that do not have physical substance but are controlled by the Group as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible assets to the Group.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible, is intended to be completed and will generate future economic benefits or deliver service potential through use of the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise services or goods.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held can be determined by reference to an active market. In practice, no intangible asset held meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service lines in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

The useful lives and amortisation methods for software costs are as follows:

Software costs: Straight line - 3 to 5 years

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement on Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

### **xxiv. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.



## **Recognition**

Expenditure, of £10,000 and above, on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be reliably measured. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Expenditure below £10,000 may be grouped and capitalised where practicable to do so.

## **De-recognition**

Where expenditure is incurred in the direct replacement of an existing asset or a significant component of an existing asset – that component is de-recognised prior to the recognition of any subsequent expenditure.

## **Initial Measurement and Valuations**

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- Borrowing costs incurred are not capitalised whilst assets are under construction.

Assets are then measured on the Balance Sheet date using a current value basis:

- Specialised properties with no active market – measured at depreciated replacement cost (DRC), being the present value of the assets' remaining service potential, which can be assumed equal to the cost of replacing that service potential;
- Non-specialised operational properties – measured at existing use value, being the market value based on the assumption that the property is sold as part of the continuing enterprise;
- Surplus assets – measured at fair value, being the price that would be received to sell an asset in an orderly transaction between market participants; and
- Plant and equipment – measured at cost less accumulated depreciation and accumulated impairment losses as a proxy for current value.

Assets under construction are measured at cost less accumulated impairment losses.

## Valuations

Assets included in the Balance Sheet at current and fair value are revalued annually to ensure that their carrying amount is not materially different from their current or fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Account in order to reverse a loss charged to services in a prior year.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is an insufficient balance in the revaluation reserve, the revaluation reserve is written down to nil and the remaining amount of the decrease in value is written down against the relevant service line(s) in the CIES.

Where there is no balance in the Revaluation Reserve, the whole amount of the decrease in value is written down against the relevant service line(s) in the CIES.

## Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## **Depreciation**

Depreciation is provided on all Property, Plant and Equipment assets by systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets that are not yet available for use (i.e. assets under construction).

Depreciation is provided according to the following policy:

- Newly acquired assets are depreciated when they are brought into use or on an average basis; and
- Depreciation is calculated using the straight-line method and over the following useful lives:
  - Buildings – up to 60 years
  - Plant and equipment – 3 to 40 years
  - IT infrastructure and development – 3 years
  - Furniture, fixtures and fittings – 5 to 10 years
  - Motor vehicles – 3 years

Where an item of Property, Plant and Equipment has major components with significantly different useful lives and the cost of which is significant in relation to the total cost of the item, the components are depreciated separately.

Land is not depreciated as it is deemed to have an indefinite useful life.

## **Disposals**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal).

The following policy will be applied to the de-recognition of fully depreciated assets:

- Asset life 5 years – write off after 8 years if existing use cannot be determined (or sooner if confirmed no longer in use); and
- Asset life 3 years – write off after 5 years if existing use cannot be determined (or sooner if confirmed no longer in use).

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are apportioned to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of the disposal is not a charge against the Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Non-current assets held for sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

### **xxv. Heritage Assets**

Heritage assets are assets that are held principally for their contribution to knowledge or culture, and may be carried at cost or fair value based on market value. Most often this is deemed to be its insured value, for example in the case of works of art.

Two heritage assets were transferred on 1 April 2012 from the Homes and Community Agency both had depreciated to a nil carrying value. The assets held are of a unique nature and there is no historical cost information available and no comparable market value information.

The Group considers the cost of obtaining such information outweighs the benefits to the users of the financial statements. As a result, the assets have not been recognised on the Balance Sheet. The appropriate disclosures have been made in Note 28.

#### **xxvi. Investment Property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Investment property is measured initially at cost, including transaction costs, and subsequently measured at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation and on disposal are recognised in the CIES. As statutory arrangements do not allow these gains and losses to impact the General Fund, they are subsequently reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve (sales proceeds). When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

External, professionally qualified valuers are used to measure fair value.

#### **xxvii. Revenue expenditure funded from capital under statute (REFCUS)**

Revenue expenditure funded from capital under statute is expenditure that may be capitalised under statutory provisions but which does not result in the creation of a fixed asset to the Authority/Group. For example, grant paid to a third party for the purchase or creation of a fixed asset. This will include capital grants paid to Transport for London in respect of the Northern Line Extension, housing capital funding paid to London boroughs, developers and housing associations; and regeneration funding paid to London boroughs and other organisations.

REFCUS is charged as expenditure to the relevant service revenue account in the year. Where such expenditure is funded from capital grants or contributions, the grants or contributions (or the portions that relate to the expenditure) are recognised as revenue grants or contributions. Both the expenditure and the grant or contributions are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account so there is no impact on the level of the precept.

## **xxviii. Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are made where an event has taken place that gives rise to a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives rise to a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives rise to a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **xxix. Reserves**

Specific amounts are set aside as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement

in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Capital reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Group – these reserves are explained in the relevant accounting policies.

### **xxx. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### **xxxi. Corporation Tax**

Corporation tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the CIES except to the extent that it relates to a business combination, or to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set off.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against

which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **xxxii. Minimum Revenue Provision**

A minimum revenue provision (MRP) is a requirement to spread the revenue cost of capital expenditure over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The provision is in respect of capital financed by borrowing or credit arrangements. The scheme for calculating MRP is set out in the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.

The GLA's relevant capital expenditure currently relates to major infrastructure projects, namely Crossrail and the Northern Line Extension (NLE). Due to the scale of the GLA commitment to these projects (£6.1bn and £1bn respectively), the GLA considers it prudent to maintain ringfenced project accounts for each. In the case of Crossrail, the ringfencing is prescribed by statute.

In both cases, the GLA's expenditure takes the form of grants to TfL to fund all or part of the project costs. Various statutory or contractual income streams are available to the GLA to meet these costs, and are credited to the relevant ringfenced project accounts, either to fund grants directly or meet associated financing costs, including repayment of borrowing.

- In the case of Crossrail, the principal income stream is Crossrail Business Rates Supplement (BRS), supplemented from 2019/20 by the Mayoral Community Infrastructure Levy (MCIL)
- For the NLE, the funding is collected by the London Boroughs of Lambeth and Wandsworth and comprises a share of the ring-fenced business rates growth in the Battersea and Nine Elms designated area and charges on developers in the area of the extension.

For each project, the annual MRP is set at the surplus of income credited to the project account over the net financing and other revenue expenditure, including the making good of prior year project account deficits. This is a prudent provision, since it will fully fund the costs attributable to each project over a period of time reasonably commensurate with the benefits of that project.

Where the GLA incurs capital expenditure as a result of making a loan to another entity for purposes that, had the GLA undertaken these directly, would be treated as capital expenditure, then the capital financing requirement element arising from such loans shall be excluded from the minimum revenue provision calculations to reflect the policy that the capital receipt arising from the repayment of the loan will be applied in full to meet the initial expenditure. The Executive Director of Resources may override this exemption on the grounds of prudence, directing a provision to be made in accordance with the methodology set out in the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. However, the impact of such direction on the revenue account shall be accounted for as a voluntary revenue provision (VRP).

.



### **3. Accounting Standards issued but not yet effective**

At the date of authorisation of the Group financial statements, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

#### IFRS 16 Leases

- IFRS 16 Leases replaces IAS 17 Leases and will be effective for annual periods beginning on or after 1 April 2020. The Group's accounting as a lessor will remain aligned to the current approach under IAS 17; however, for lessee accounting there will no longer be a distinction between finance and operating leases. The transition approach adopted by the Group will result in the recognition of right of use assets and lease liabilities in respect of leased properties previously accounted for as operating leases. Work is currently underway to quantify the lease liabilities. As permitted by the transition options under IFRS 16, comparative figures for the prior year will not be restated. Going forward, the Group will recognise a finance charge on the lease liability and a depreciation charge on the right-of-use asset, whereas previously the Group included lease rentals within the respective service area's expenditure. The Group intends to take advantage of the exemption to not recognise a lease liability and a right-of-use asset for leases for which the underlying asset is of low value.

### **4. Transfer of function – Adult Education Budget**

In August 2019, there was a transfer of Adult Education Budget (AEB) from the Department for Education (DfE) to the Authority. This has been treated as a transfer of function outside the scope of IFRS 3 Business Combinations.

The budget allocation for the 1 August 2019 to 31 July 2020 academic year totals £306m. This has been pro-rated and paid in line with the Authority's financial years, £192m has been received in 2019/20 for the period August 2019 to March 2020 and the balance of £114m for the period April 2020 to July 2020 will be paid in April 2020 (along with a pro-rata share of the August 2020 to July 2021 academic year budget).

The Code requires that the income and expenditure directly related to acquired functions are shown separately from other Continuing Operations on the face of the CIES, but before Total Continuing Operations.

There was no impact on the Balance Sheet, as no assets or liabilities transferred.

## **5. Use of estimates and judgements**

The preparation of financial statements in conformity with the Code requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed below:

### **Estimates**

#### **Impact of COVID-19 on valuations - Property and Financial Instruments**

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a global pandemic on 11 March 2020, has impacted global financial markets and is on-going at the time of preparing these financial statements. At present, the majority of the United Kingdom's population is in lockdown and the level of uncertainty in the economy is currently at an all-time high with the trajectory of the recovery difficult to forecast.

Market activity is being impacted in many sectors and the resultant uncertainty has had an impact on the valuation of property and financial instruments held at fair value.

With regards to the property valuations reported in these financial statements as at 31 March 2020, GL Hearn have reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. This applies to the property values reported in note 26 Investment Properties and note 37 Inventories. Due to the unknowns around the COVID-19 pandemic and the inability at present to demonstrate movement in the property market in either direction, the valuations do not reflect any COVID-19 impacts. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.

Given the unknown future impact that COVID-19 might have on the real estate market, the Group entities will keep the valuations under review and will update the financial statements, if quantifiable, for any significant movements prior to the audited accounts being signed.

The above-mentioned uncertainty, and the need for a higher degree of caution applies equally to the value of and the reliance placed on the value of the Group's financial instruments held at fair value through profit and loss. This comprises residential mortgage backed securities, fund investments and equity mortgages most of which are property backed investments. See Note 50 Financial Instruments for further details on these financial instruments.

### **Fair Value**

A range of judgements and estimates are made when determining the fair values of property assets and financial instruments held at fair value.

## **Fair values of properties**

The significant assumptions applied in estimating the fair values of properties are:

For income producing properties, the Valuers adopt an investment approach where they apply a capitalisation rate, as a multiplier, against the current and, if any, reversionary income streams. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels and discount rates – adjusted for regional factors. Following market practice, they construct their valuations adopting methodology where the reversions are generated from regular short-term uplifts of market rent. They would normally apply a term and reversion approach where the next event is one which fundamentally changes the nature of the income or characteristics of the investment. Where there is an actual exposure or a risk thereto of irrecoverable costs, including those of achieving a letting, an allowance is reflected in the valuation;

- the assessment of rental values is formed purely for the purposes of assisting in the formation of an opinion of capital value and is generally on the basis of Market Rent, as defined in the RICS Valuation - Professional Standards UK January 2014 (revised April 2015). Where circumstances dictate that it is necessary to utilise a different rental value in the capital valuation, the Valuers will generally set out the reasons for this in their report;
- vacant buildings, in addition to the above methodology, may also be valued and analysed on a comparison method with other capital value transactions where applicable; and
- where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. This requires assumptions being made on the nature, size and specification of the modern equivalent building and all other necessary improvements; and calculating the cost of providing these by reference to published building cost data. Assumptions are also made on the percentage depreciation required to adjust or depreciate all costs incurred to provide the modern equivalent asset to reflect differences between this modern equivalent and the actual asset being valued.

## **Fair values of financial instruments**

Where quoted market prices are not available, valuation techniques are used to value financial instruments. These include models using both observable and unobservable market inputs. The valuation techniques involve judgement regarding the valuation models used and the inputs to these models can lead to a range of plausible valuation for financial investments. Inputs include forecast cash flows, appropriate market interest rates and for property backed loans a key input is the underlying property valuation.

### **Inventory (Development Property)**

The Group holds land and buildings for sale and for development and subsequent sale as Inventory. Annual valuation reviews are undertaken to identify property held for sale or developments in progress where the balance sheet value is more than the lower of cost or net realisable value.

Where the estimated net realisable value is less than the carrying value within the balance sheet, the Group has written down the land property and development in progress value.

In the period to 31 March 2020, this review resulted in a £33.7m write down to net realisable value and a reversal of previous write downs totalling £0.6m. See note 37 for further details.

### **Affordable housing assumptions**

Property valuations are based on current intentions for assets, contracts and tendering activity. The asset valuations are subject to assumptions around the levels of affordable housing, which is a factor in valuing development property and in determining the highest and best use for investment properties. Current levels of assumed affordable housing are subject to uncertainty, since the developments are expected to be self-funding whilst supporting the London-wide ambition of achieving a level of 50% of affordable housing on new developments. The level assumed in the valuation at 31 March 2020 is therefore a judgement. Once the London Plan is published it is possible affordable housing levels on some sites might increase, which would lead to a decrease in value.

### **Property, plant and equipment**

In determining the useful economic life of property, plant and equipment, judgement needs to be exercised in estimating the length of time that assets will be operational. Judgements are also required regarding the valuation of property, plant and equipment, the classification of specialist/non-specialist assets and in determining residual values.

The carrying value of property, plant and equipment at Group level, at 31 March 2020, totalled £149.2m, see note 25 for further details.

### **Fair value of Equity Mortgages**

Equity Mortgages are held as non-current financial instruments valued at fair value through profit and loss. These are amounts receivable individually from the private owners of housing units when their properties are sold and are secured by a second charge over their property.

Equity mortgages are valued with reference to published house price indices. For equity interests in housing units, the fair value at the balance sheet date is calculated using movements in the Land Registry house price index for the London region, this being the most relevant available observable market data. The carrying values do not therefore reflect the impact, if any, of the COVID-19 pandemic which is on-going at the time of preparing these financial statements. Further

information is provided in Note 5 Uses of Estimates and Judgements – Impact of COVID-19 on valuations - Property and Financial Instruments. If prior to the signing of the audited accounts the most recent house price index for London has moved materially the fair value of equity mortgages will be updated accordingly.

At 31 March 2020 the asset recognised on the balance sheet was £34.9m. See note 29 for further details.

### **Financial Instruments – Allowances for Impairment Losses**

Expected credit loss allowances (ECL) reflect past performance, current conditions and the Group's view of economic conditions over the expected lives of financial assets, notably loan investments and trade receivables held at amortised cost.

#### Definition of default

The probability of default (PD) of an exposure, both over a 12-month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due or has failed to comply with key financial covenants and other performance obligations in development agreements

### **E20 Stadium LLP Onerous Contract**

The provision for onerous contracts is based largely upon E20 Stadium LLP's long-term forecasts. If actual results were to differ from the underlying assumptions then this could have a material impact upon the Group's share of reported losses. The provision is currently estimated at £200m (Note 41).

### **Post-retirement benefits**

Pensions liability – the estimation of the net liability to pay pensions depends on complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The assumptions made and sensitivity analysis, are provided in Note 21. The carrying value of the pensions liability, at Group level, totalled £152.9m at 31 March 2020.

### **Council tax accounting**

The Authority's share of the current year's council tax surplus is £8.9m. This is based on unaudited figures from the 32 London boroughs and the City of London Corporation. Any post audit amendments on Council Tax are incorporated into the following year's accounts.

The *Code of Practice on Local Authority Accounting in the United Kingdom 2019/20* sets out the methodology for determining the Authority's attributable share of council tax and non-domestic

debtors and creditors. It is an estimate based on the demand/precept proportions for the next financial year.

### **Non-domestic rates accounting**

In respect of business rates retention, the GLA's share of rates income, related section 31 grants, debtors, creditors, bad debt provisions and appeals provisions in 2019/2020 was set at 27 per cent of the total for each of the 33 London billing authorities. This is the prescribed percentage share set out in The Non-Domestic Rating (Rates Retention and Levy and Safety Net) (Amendment) Regulations 2017. The Authority's share of the collection fund surpluses and deficits is also calculated in accordance with the same regulations, which set out a methodology that apportion the surpluses and deficits to take into account the change in the GLA's percentage share of non-domestic rates income between 2017/18 (37 per cent), 2018-19 (36 per cent) and 2019/20 (27 per cent). The Authority's share of the current year's business rates net surplus is £35.6 million. This is based on unaudited figures from the 32 London boroughs and the City of London Corporation.

The amounts recorded are derived from the draft National Non-Domestic Rates 3 outturn returns submitted to the GLA by each authority between May and August 2020 which will be materially consistent with the information reported in the collection fund statements within their draft statutory accounts. The final statutory accounts published by 30 November will incorporate, where practical, amendments made compared to these draft figures where these have been advised to the GLA on a timely basis in advance of this deadline. Any variations arising from the final NNDR3 returns not received by the date the authority's accounts are approved will generally be incorporated in the cumulative balances, accruals, non-domestic rating income figures and provisions in the following year's statutory accounts.

Under statutory regulations the aggregate sums reported by billing authorities provide the source data for these estimates and provisions and determine the income and potential levy and safety net payments to or from the Secretary of State that the GLA is required to provide for and recognise. The instalments payable to the GLA during the financial year and used for budgeting purposes are calculated based on the National Non-Domestic Rates 1 estimates submitted by the 31 January prior to the start of the financial year.

The most significant provision relates to the estimate for potential refunds to ratepayers arising from successful non-domestic rating appeals and other changes to the valuation list relating both to the 2019/2020 financial year and for backdated amounts for prior accounting periods. In estimating their provision each London billing authority has had regard to the settlement rates of historical appeals and the level of appeals unresolved at the financial year end. Billing authorities have also generally considered the case for incorporating an estimate for the potential impact of appeals not lodged by the balance sheet date and made an assessment as to their potential materiality as part of the determination of their final provision estimates.

The GLA has considered the possibility that billing authorities may have under or over provided for the impact of rating appeals. Over provisions may arise where the Valuation Office and Valuation Tribunal rejects a greater proportion of appeals than anticipated because it considers that the rating list is generally accurate or successful appeals are backdated to an earlier reference date. Under provisions may occur if a higher proportion of the rating list is ultimately challenged successfully by ratepayers or there may be changes to national rating policies for certain business sectors which have a greater material impact in some billing authorities.

In setting their baseline forecasts for business rates income at the start of the 2010 rating list the Office of Budget Responsibility and the then Department for Communities and Local Government assumed a 5% calibration adjustment factor for potential reductions to rates income due to factors such as rating appeals over the period of a rating list. The Government also applied a further adjustment factor of 3 per cent in calculating the business rates baselines for 2013/14 – the first year of the rates retention system - to allow for outlier authorities where the risk of appeals might be considered to be greatest. For those authorities accounting for the largest proportion of the GLA's income the provisions made exceed these percentage rates assumed by central government. For the new 2017 rating list which came into force on the 1 April 2017 the Government assumed an average 4.5 per cent reduction due to losses on appeals over the life of the list when setting the NNDR multiplier for 2017/18.

The GLA considers that the appeals provisions made are reasonable having regard to the risks associated with business rates retention, the fact that it is supported by Valuation Office data on checks, challenges and assessment reviews against the 2010 and 2017 local rating lists at 31 March 2020, and that billing authorities have had regard to Accounting Standards and their knowledge of historic trends in relation to the variation in the rating list in preparing their estimates.

## **Judgements**

### **London Power Co. Limited (LPC)**

London Power Co. Limited is a private company limited by shares. It was incorporated on 19 July 2019, issued one £1 share and Greater London Authority Holdings Limited (GLAH) is the sole shareholder.

LPC has contracted the services of energy supplier Octopus Energy Limited to provide gas and electricity to Londoners.

LPC has not been consolidated into GLA's group accounts on materiality grounds. The assessment considered LPC's net assets relative to the GLA's net asset position.

### **London Fire Commissioner (LFC)**

In January 2016, the Government announced its decision to abolish the previous London Fire and Emergency Planning Authority (LFEPA) and make the Mayor directly responsible for fire and rescue services. The Policing and Crime Act 2017 replaces LFEPA with a London Fire Commissioner and a Deputy Mayor for Fire. The London Fire Commissioner was established as a corporation sole and new functional body from 1 April 2018.

LFC is the fire and rescue authority for London. It is responsible for providing London's fire and rescue service, ensuring that it is effective and efficient. All formal decisions about London Fire Brigade (LFB) are approved by the LFC, though some decisions may need to receive prior approval from, or be consulted on, with the Deputy Mayor for Fire and Resilience or the Mayor of London.

A review of the governance arrangements was undertaken by management to determine whether the new arrangements meant LFC was now controlled by the GLA and, in accordance with IFRS 10, be consolidated in the GLA's group accounts. The review found that while the GLA has had more control over the LFB in the period since the change of governance arrangements on 1 April 2018 than it did previously, there are no direct benefits accruing to the GLA from this oversight, as the LFB primarily remains part of a nationwide fire service. Furthermore, operational control of the LFB clearly rests with the London Fire Commissioner rather than the GLA. While the GLA may provide some policy and resource oversight, as well as a challenge function, most of the LFB's activities continue as before – in an operational sense – without reference back to the GLA. In management's judgement the governance arrangements do not bring the LFC under the Authority's control and it will therefore not form part of the GLA's group accounts going forward.

### **London Treasury Limited (LTL)**

London Treasury Limited is a private company limited by shares. On 21 August 2018, Greater London Authority Holdings Limited (GLAH) acquired the total shares issued by LTL.

LTL through an investment management agreement carries out investment services on behalf of the GLA and other organisations to which the GLA provides treasury management services. Specifically, it enables the GLA to share investment services with London Boroughs through London Treasury Limited having the Financial Services and Markets Act 2000 authorisation required specifically by the London Boroughs for any entity carrying out investments services on their behalf. LTL has not been consolidated into GLA's group accounts on materiality grounds. The assessment considered LTL's net assets relative to the GLA's net asset position and the nature of the service provided.

### **Related Party Transactions**

In reporting related party transactions, the Authority has judged that transactions of £1m or more with central government departments, non-department public bodies and government agencies are significant to both parties; transactions of £100,000 or more with local authorities and



functional bodies are significant to both parties; and applied a judgement that expenditure of £5,000 or more is appropriate for reporting of transactions with all other related parties.

### **Investment Property**

IAS 40 Investment properties (IAS 40), requires that properties are classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals. To comply with IAS 40, judgement needs to be exercised in determining whether these properties should be classified as investment properties. As investment properties are valued at fair value with movements in the fair value being recorded in the income statement this could have a significant effect on the reported surplus or deficit of the Group.

The carrying value of investment properties at Group level, at 31 March 2020, totalled £183.6m, see note 26 for further details.

### **Leases**

In assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are held or have been transferred by the Group. Given that finance lease obligations/receivables are recognised as liabilities/assets, and operating lease obligations/receivables are not, this can have a significant effect on the reported financial position of the Group.

At 31 March 2020, the carrying values of finance lease receivables at Group level were significant, totalling £141.4m, see note 35 for further details.

### **Determining whether an arrangement contains a lease**

When determining whether an arrangement contains a lease, as required by IFRIC 4, judgement needs to be exercised in determining whether the arrangement conveys the right to use an asset. Given that this could result in additional finance leases being recognised on the Balance Sheet this can have a significant effect on the reported financial position of the Group.

### **Financial instruments - Classification**

The classification decision for non-equity financial assets under IFRS 9, is dependent on two key criteria:

- The business model within which the asset is held (the business model test), and
- The contractual cash flows of the asset (the SPPI test).

Determining the appropriate business model and assessing whether the cash flows generated by an asset consist solely of payments of principal and interest requires management judgement and can affect whether the financial instrument is held at amortised cost or fair value and whether changes

in fair value are recognised in the Income and Expenditure Account or in Other Comprehensive Income.

## **6. Authorisation of the Statement of Accounts**

The Statement of Accounts was authorised for issue on the date the Executive Director of Resources certified that the accounts give a true and fair view of the financial position of the Authority at the year-end; and its income and expenditure, see the “Statement of Responsibilities for the Statement of Accounts”. This is the date up to which events after the balance sheet date have been considered (Note 55).

## 7. Expenditure and Income analysed by nature

The Authority's expenditure and income is analysed as follows:

	2019/20	2018/19
	£000	£000
<b>Expenditure</b>		
Employee benefits expenses	91,017	80,139
Other service expenses	4,739,213	3,918,674
Depreciation, amortisation and impairment	2,297	2,074
Interest payments and similar charges	177,157	144,189
Precepts and other payments to Functional Bodies	908,837	795,396
BRR* Levy Payment	-	(16,226)
BRR Tariff Payment	-	687,342
<b>Total Expenditure</b>	<b>5,918,521</b>	<b>5,611,588</b>
<b>Income</b>		
Government grants and other contributions	(2,394,558)	(1,845,765)
Income from council tax and non-domestic rates	(3,668,006)	(4,239,016)
Fees, charges and other service income	(21,937)	(88,476)
Interest and investment income	(60,822)	(63,938)
<b>Total Income</b>	<b>(6,145,323)</b>	<b>(6,237,195)</b>
<b>(Surplus) or Deficit on Provision of Service</b>	<b>(226,802)</b>	<b>(625,607)</b>

\*BRR-Business Rates Retention

## 8. Expenditure and Funding Analysis

The Expenditure and Funding Analysis (“EFA”) shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices.

Authority 2018/19			Authority 2019/20		
Net Exp Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Exp in the CIES* £000	Net Exp Chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Exp in the CIES* £000
<b>Continuing Services</b>					
7,794	843	8,637	8,953	754	9,707
29,099	969	30,068	37,109	1,344	38,453
22,382	1,955	24,337	27,990	1,191	29,181
73,954	58,929	132,883	48,102	46,936	95,038
19,016	709,178	728,194	23,866	690,338	714,204
5,144	697	5,841	5,420	801	6,221
8,144	8,131	16,275	9,019	19,341	28,360
14,020	1,136	15,156	19,846	1,629	21,475
277,764	(211,633)	66,131	404,735	(343,751)	60,984
<b>Services transferred to the Authority</b>					
-	-	- AEB	(6,612)	486	(6,126)
<b>457,317</b>	<b>570,205</b>	<b>1,027,522</b>	<b>578,428</b>	<b>419,069</b>	<b>997,497</b>
(675,083)	(978,046)	(1,653,129)	(593,710)	(630,589)	(1,224,299)
<b>(217,766)</b>	<b>(407,841)</b>	<b>(625,607)</b>	<b>(15,282)</b>	<b>(211,520)</b>	<b>(226,802)</b>
(504,882)		Opening General Fund Balance	(721,250)		
1,398		Adjustments for the restatement of financial instruments	-		
(217,766)		Less/Plus Surplus or (Deficit)	(15,282)		
<b>(721,250)</b>		<b>Closing General Fund Balance</b>	<b>(736,532)</b>		

\*CIES-Comprehensive Income and Expenditure Account

## 8a. EFA – Adjustments between funding and accounting basis

### Authority 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
AEB	-	427	59	486
Assembly & Secretariat	-	702	52	754
Chief Officer	-	1,256	88	1,344
Communities & Skills	(15)	1,238	(32)	1,191
Good Growth	43,198	2,876	862	46,936
Housing & Land	687,639	1,523	1,176	690,338
Mayor's Office	-	820	(19)	801
Resources	17,609	1,681	51	19,341
Strategy & Communications	-	1,525	104	1,629
Corporate and Group Items	2,297	4	(346,052)	(343,751)
<b>Net Cost of Services</b>	<b>750,728</b>	<b>12,052</b>	<b>(343,711)</b>	<b>419,069</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(636,489)	3,487	2,413	(630,589)
<b>Difference between surplus or deficit on the General Fund and the CIES</b>	<b>114,239</b>	<b>15,539</b>	<b>(341,298)</b>	<b>(211,520)</b>

### Authority 2018/19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statements amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
AEB	-	-	-	-
Assembly & Secretariat	-	889	(46)	843
Chief Officer	-	952	17	969
Communities & Skills	500	1,362	92	1,954
Good Growth	56,505	2,396	29	58,930
Housing & Land	704,864	1,125	3,188	709,177
Mayor's Office	-	748	(52)	696
Resources	3,316	4,827	(13)	8,130
Strategy & Communications	-	1,127	8	1,135
Corporate & Group Items	2,073	4	(213,706)	(211,629)
<b>Net Cost of Services</b>	<b>767,258</b>	<b>13,430</b>	<b>(210,483)</b>	<b>570,205</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(1,042,787)	3,628	61,113	(978,046)
<b>Difference between surplus or deficit on the General Fund and the CIES</b>	<b>(275,529)</b>	<b>17,058</b>	<b>(149,370)</b>	<b>(407,841)</b>

## 9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Group in the year in accordance with proper accounting practice, and to the resources that are specified by statutory provisions as being available to the Group to meet future capital and revenue expenditure.

### Group

2019/20	USABLE RESERVES				Total Usable Reserves £000
	General Fund Balance £000	BRS £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments to Revenue Resources</b>					
Amounts by which income and expenditure included in the CIES differ from revenue for the year calculated in accordance with statutory requirements:					
Pension Costs transferred to/(from) the Pensions Reserve	(18,713)	-	-	-	(18,713)
Financial instruments (transferred to/(from) the Financial Instruments Adjustments Account)	1,600	-	-	-	1,600
Council tax and NDR (transfers to/(from) Collection Fund Adjustment Account)	184	-	-	-	184
Holiday pay (transferred to/(from) the Accumulated Absences Reserve)	(523)	-	-	-	(523)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,928,021)	-	-	-	(1,928,021)
Transfer of net income/expenditure to the BRS account	673,187	(673,187)	-	-	-
Transfer of an amount equal to the BRS surplus from the BRS account to the General Fund	(673,187)	673,187	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(1,945,473)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,945,473)</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of capital grant reclaims and non-current asset sale proceeds from revenue to the Capital Receipts Reserve	112,270	-	(112,270)	-	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,702,255	-	29,570	(1,702,255)	29,570
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	315,813	-	-	-	315,813
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	30,240	-	-	-	30,240
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>2,160,578</b>	<b>-</b>	<b>(82,700)</b>	<b>(1,702,255)</b>	<b>375,623</b>
<b>Adjustments to Capital Resources</b>					
Application of capital grants to finance capital expenditure	-	-	13,644	701,740	715,384
Capital receipt and capital grant financing swap and capital grant transferred from CAA to capital grants unapplied	-	-	3,772	(24,599)	(20,827)
Cash receipts in relation to long term capital debtors	-	-	(14,223)	-	(14,223)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal	15	-	-	-	15
<b>Total Adjustments to Capital Resources</b>	<b>15</b>	<b>-</b>	<b>3,193</b>	<b>677,141</b>	<b>680,349</b>
<b>Total Adjustments</b>	<b>215,120</b>	<b>-</b>	<b>(79,507)</b>	<b>(1,025,114)</b>	<b>(889,501)</b>

## Group (continued)

2018/19 - Restated

	USABLE RESERVES				
	Restated General Fund Balance £000	BRS £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Restated Total Usable Reserves £000
<b>Adjustments to Revenue Resources</b>					
Amounts by which income and expenditure included in the CIES differ from revenue for the year calculated in accordance with statutory requirements:					
Pension Costs transferred to/(from) the Pensions Reserve	(20,336)	-	-	-	(20,336)
Financial instruments (transferred to/(from) the Financial Instruments Adjustments Account)	2,764	-	-	-	2,764
Council tax and NDR (transfers to/(from) Collection Fund Adjustment Account)	(67,039)	-	-	-	(67,039)
Holiday pay (transferred to/(from) the Accumulated Absences Reserve)	(88)	-	-	-	(88)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,058,752)	-	-	-	(1,058,752)
Transfer of net income/expenditure to the BRS account	211,117	(211,117)	-	-	-
Transfer of an amount equal to the BRS surplus from the BRS account to the General Fund	(211,117)	211,117	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(1,143,451)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,143,451)</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of capital grant reclaims and non-current asset sale proceeds from revenue to the Capital Receipts Reserve	173,540	-	(99,641)	-	73,899
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,074,819	-	-	(1,074,819)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	202,102	-	-	-	202,102
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	11,588	-	-	-	11,588
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,462,049</b>	<b>-</b>	<b>(99,641)</b>	<b>(1,074,819)</b>	<b>287,589</b>
<b>Adjustments to Capital Resources</b>					
Application of capital grants to finance capital expenditure	-	-	-	447,882	447,882
Use of capital receipts reserve to finance capital expenditure	-	-	72,392	-	72,392
Cash receipts in relation to long term capital debtors	-	-	(64,606)	-	(64,606)
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>7,786</b>	<b>447,882</b>	<b>455,668</b>
<b>Total Adjustments</b>	<b>318,598</b>	<b>-</b>	<b>(91,855)</b>	<b>(626,937)</b>	<b>(400,194)</b>

## Authority

### Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice and to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2019/20

	USABLE RESERVES				
	General Fund Balance £000	BRS £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000
<b>Adjustments to Revenue Resources</b>					
<b>Amounts by which income and expenditure included in the CIES differ from revenue for the year calculated in accordance with statutory requirements:</b>					
Pension Costs transferred to/(from) the Pensions Reserve	(15,540)	-	-	-	(15,540)
Financial instruments (transferred to/(from) the Financial Instruments Adjustments Account)	1,600	-	-	-	1,600
Council tax and NDR (transfers to/(from) Collection Fund Adjustment Account)	184	-	-	-	184
Holiday pay (transferred to/(from) the Accumulated Absences Reserve)	(425)	-	-	-	(425)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,905,323)	-	-	-	(1,905,323)
Transfer of net income/expenditure to the BRS account	673,187	(673,187)	-	-	-
Transfer of an amount equal to the BRS surplus from the BRS account to the General Fund	(673,187)	673,187	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(1,919,504)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,919,504)</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of capital grant reclaims from revenue to the Capital Receipts Reserve	82,700	-	(82,700)	-	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,702,255	-	-	(1,702,255)	-
Statutory provision for the repayment of debt (transfer to/(from) the Capital Adjustment Account)	315,813	-	-	-	315,813
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	30,240	-	-	-	30,240
					-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>2,131,008</b>	<b>-</b>	<b>(82,700)</b>	<b>(1,702,255)</b>	<b>346,053</b>
<b>Adjustments to Capital Resources</b>					
Application of capital resources to finance capital expenditure	-	-	13,644	701,740	715,384
Capital receipt and capital grant financing swap and capital grant transferred from CAA to capital grants unapplied	-	-	3,772	(24,599)	(20,827)
Cash receipts in relation to capital debtors	-	-	(14,223)	-	(14,223)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal	15	-	-	-	15
<b>Total Adjustments to Capital Resources</b>	<b>15</b>	<b>-</b>	<b>3,193</b>	<b>677,141</b>	<b>680,349</b>
<b>Total Adjustments</b>	<b>211,519</b>	<b>-</b>	<b>(79,507)</b>	<b>(1,025,114)</b>	<b>(893,102)</b>



## Authority (continued)

2018/ 19

	USABLE RESERVES				
	General Fund Balance £000	BRS £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000
<b>Adjustments to Revenue Resources</b>					
<b>Amounts by which income and expenditure included in the CIES differ from revenue for the year calculated in accordance with statutory requirements:</b>					
Pension Costs transferred to/ (from) the Pensions Reserve	(17,058)	-	-	-	(17,058)
Financial instruments (transferred to/ (from) the Financial Instruments Adjustments Account)	2,764	-	-	-	2,764
Council tax and NDR (transfers to/ (from) Collection Fund Adjustment Account)	(67,039)	-	-	-	(67,039)
Holiday pay (transferred to/ (from) the Accumulated Absences Reserve)	(62)	-	-	-	(62)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(898,914)	-	-	-	(898,914)
Release of backdated appeals from the non-domestic rates appeals provision account	-	-	-	-	-
Transfer of net income/ expenditure to the BRS account	211,117	(211,117)	-	-	-
Transfer of an amount equal to the BRS surplus from the BRS account to the General Fund	(211,117)	211,117	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(980,309)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(980,309)</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of capital grant reclaim from revenue to the Capital Receipts Reserve	99,641	-	(99,641)	-	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,074,819	-	-	(1,074,819)	-
Statutory provision for the repayment of debt (transfer to/ (from) the Capital Adjustment Account)	202,102	-	-	-	202,102
Voluntary provision for the repayment of debt (transfer to/ (from) the Capital Adjustment Account)	-	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	11,588	-	-	-	11,588
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,388,150</b>	<b>-</b>	<b>(99,641)</b>	<b>(1,074,819)</b>	<b>213,690</b>
<b>Adjustments to Capital Resources</b>					
Application of capital grants to finance capital expenditure	-	-	-	447,882	447,882
Cash receipts in relation to capital debtors	-	-	7,786	-	7,786
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>7,786</b>	<b>447,882</b>	<b>455,668</b>
<b>Total Adjustments</b>	<b>407,840</b>	<b>-</b>	<b>(91,855)</b>	<b>(626,937)</b>	<b>(310,952)</b>

## 10. Transfers to/from Earmarked Reserves – Authority

This note sets out the amounts set aside, by the Authority, from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in year.

	Balance at 1 April 2019 £000	Transfers In £000	Transfer s Out £000	Balance at 31 March 2020 £000
<b>GLA Reserves</b>				
Assembly Development & Resettlement	1,610	-	(1,153)	457
Capital Programme	50,283	14,300	(13,571)	51,012
City Hall Lease Smoothing	3,143	-	-	3,143
Compulsory Purchase Orders	1,329	-	-	1,329
Development	2,408	-	(876)	1,532
Directorate (Programme reserve)	62,018	33,563	(52,704)	42,877
Election	12,853	6,375	(5,871)	13,357
Environment Drainage	354	347	-	701
Estates	7,868	-	(178)	7,690
LLDC Capital Funding Reserve	126,047	36,800	(17,609)	145,237
London and Partners	2,245	-	-	2,245
London Green Fund Reserve	1,068	281	(617)	731
Major Events	10,995	7,269	(3,255)	15,009
Mayoral Resettlement	77	-	-	77
New Homes Bonus LEP grant reserve	5,163	-	(2,590)	2,573
New Museum Project	8,000	4,000	-	12,000
Planning Smoothing	781	500	(749)	532
Pre-Application Planning	1,942	-	-	1,942
Revenue Grants Unapplied	79,853	44,871	(64,802)	59,922
Sport Unites	6,743	-	(2,231)	4,512
The Royal Docks Enterprise Zone Reserve	-	3,875	(15)	3,860
COVID-19 Reserve	-	9,303	(217)	9,086
Young Londoners Fund Reserve	23,939	11,187	(7,462)	27,664
<b>Sub-Total</b>	<b>408,718</b>	<b>172,670</b>	<b>(173,901)</b>	<b>407,488</b>
<b>GLA Group Reserves</b>				
Business Rates Reserve	188,200	1,474	(62,905)	126,769
Development Corporations	3,137	20,274	(2,025)	21,386
NDR Backdated Appeals Spreading	-	-	-	-
Strategic Investment Fund	111,193	73,271	(13,575)	170,889
<b>Sub-Total</b>	<b>302,530</b>	<b>95,018</b>	<b>(78,504)</b>	<b>319,044</b>
<b>Total Earmarked Reserves</b>	<b>711,248</b>	<b>267,689</b>	<b>(252,405)</b>	<b>726,532</b>

The purpose of each reserve is detailed below:

### GLA Reserves

The **Assembly Development and Resettlement Reserve** exists to ensure adequate funding is built up for future pay settlements, reviews and resettlement grants for the Assembly and Secretariat Directorate.

The **Capital Programme Reserve** provides a source of funding for those capital projects falling outside the programmes in housing and regeneration which are directly funded by Government grant.

The **City Hall Lease Smoothing Reserve** is used to ensure that the fixed percentage increases in the City Hall operating lease are charged to the Comprehensive Income and Expenditure Account on a straight-line basis over the lease term and to smooth the budgetary impact on the revenue account of the increase in lease payments.

The **Compulsory Purchase Orders Reserve** has been created to provide for estimated future costs related to the settlement of a number of significant programmes inherited by a statutory transfer scheme from the London Development Agency.

The **Development Reserve** exists to fund organisational change and business improvement projects.

The **Directorate (Programme Reserve)** represents underspends on directorate and budgets carried forward to fund projects that were delayed and are due to start or be completed within the next financial year.

The **Election Reserve** exists to fund the Mayor and Assembly elections when they fall due every four years.

The **Environment Drainage Reserve** has been created to earmark the funding received from central government for the preparation of surface water management plans.

The **Estates Reserve** has been created to fund exceptional repairs and maintenance works across the GLA Estate, works undertaken at Parliament and Trafalgar Squares and the development of land and property schemes.

The **LLDC Capital Funding Reserve** provides a source of funding for revenue grants to LLDC for the financing of future LLDC capital expenditure.

The **London and Partners Reserve** has been created to ensure that adequate funding is built up for future reviews of the organisation.

The **London Green Fund Reserve** holds the revenue returns from the £32m investment in the European backed London Green fund which invested in waste energy efficiency, decentralised energy and social housing projects. This fund was part of the Joint European Support for Sustainable Investment in City Areas (JESSICA) policy initiative of the European Commission.

The **Major Events Reserve** represents sums set aside to build up resources for future events.

The **Mayoral Resettlement Reserve** funds the resettlement grants paid to the former Mayor following the Mayoral elections.

The **New Homes Bonus LEP grant reserve** consists of New Homes Bonus grant that has been set aside to fund revenue expenditure that will be incurred by London Boroughs on regeneration schemes in future years.

The **New Museum Project Reserve** has been created to ensure adequate funding is accumulated to meet future costs relating to the proposed relocation of the Museum of London.

The **Planning Smoothing Reserve** has been created to smooth the funding of the Examination in Public of the London Plan and other planning functions.

The **Pre-Application Planning Reserve** carries forward surplus pre-application planning income to fund the running costs of the Pre-Application Planning service in future years.

The **Revenue Grants Unapplied Reserve** contains grants and contributions received that have no repayment conditions attached. Where expenditure has not yet been incurred this income is rolled forward and will be released when expenditure is incurred on the relevant project or initiative.

The **Sport Unites Reserve** exists to support the Mayor's community sports initiatives which are currently under development.

The **Royal Docks Enterprise Zone Reserve** manages the funding flows of the Royal Docks Programme, which is a joint initiative from the Mayor and the London Borough of Newham to develop the Royal Docks area in the east of London. The project will create jobs and new homes and promote cultural and economic development of the Docks on a local, regional and international level over the coming years.

The **COVID-19 Reserve** exists to support COVID-19 related activities.

The **Young Londoners' Fund Reserve** exists to support the Mayor's £45 million Young Londoners' Fund is helping children and young people to fulfil their potential, particularly those at risk of getting caught up in crime. It is supporting a range of education, sport, cultural and other activities for young Londoners.

### **GLA Group Reserves**

The **Business Rates Reserve** (formerly the Resilience Reserve) has been created to manage special risk to which the GLA is exposed as a result of the timing and the potential quantum of changes to the council tax base, retained business rates, collection fund shares and grant settlements.

The **Development Corporation Reserve** has been created to ensure that adequate contingency funding is available for unexpected costs relating to Mayoral Development Corporations.

The **Strategic Investment Fund Reserve** exists to support the Mayor's commitment to spend additional income, generated from the London business rates retention pooling arrangements

which commenced in 2018/19, on strategic investment projects which will contribute to the sustainable growth of London's economy.

## 11. Other Operating Expenditure

Sections 102 and 103 of the Greater London Authority Act 1999 (as amended) require the Greater London Authority to pay over to the functional bodies, their share of government grants and precepts required to fund their budget requirements, as calculated under section 85(4) to (7) of the aforementioned Act. The table below sets out the allocation of the council tax precepts to the functional bodies. The allocation of specific and general government grants to the functional bodies is shown in the Fund Account. Business rates payments to the Functional Bodies form part of the cost of services analysis in the CIES.

	Authority 2019/20 £000	Group 2019/20 £000	Authority 2018/19 £000	Group 2018/19 £000
Precept payable & other payments to the Functional Bodies	908,837	908,837	795,396	795,396
Fire Services	233,152	233,152	250,445	250,445
Police Services	219,979	219,979	92,500	92,500
Transport Services	3,147,063	3,147,063	2,521,385	2,521,385
<b>Total</b>	<b>4,509,031</b>	<b>4,509,031</b>	<b>3,659,726</b>	<b>3,659,726</b>

## 12. Financing and Investment Income and Expenditure

	Authority 2019/20 £000	Group 2019/20 £000	Authority 2018/19 £000	Group 2018/19 £000
Interest payable and similar charges	156,410	156,831	140,561	140,156
Other investment Expenditure	-	-	-	170
Net interest on the net defined liability	3,488	4,007	3,628	4,108
Interest receivable and similar income	(65,472)	(53,087)	(56,414)	(41,392)
Other investment Income	-	(506)	-	-
Net (gain)/loss from financial assets at fair value through profit and loss	4,650	(1,440)	(7,525)	(6,968)
Income and expenditure in relation to investment properties	-	(5,835)	-	12,920
<b>Total</b>	<b>99,076</b>	<b>99,970</b>	<b>80,250</b>	<b>108,994</b>

## 13. Taxation and Non-Specific Grant Income and Expenditure

	Authority 2019/20 £000	Group 2019/20 £000	Authority 2018/19 £000	Group 2018/19 £000
Precept receivable from Council Tax payers	(969,453)	(969,453)	(879,023)	(879,023)
Non-domestic rate income	(2,406,437)	(2,406,437)	(3,089,847)	(3,089,847)
Non-domestic rate top-up receipt	(5,758)	(5,758)	-	-
Non-domestic rate tariff payment	-	-	687,342	687,342
Non-domestic rate levy payment	-	-	(16,226)	(16,226)
Business Rate Supplement - Crossrail	(272,111)	(272,111)	(268,144)	(268,144)
Community Infrastructure Levy - Crossrail	(194,780)	(194,780)	(134,056)	(134,056)
Non-ringfenced revenue government grants (see Note 16)	(160,426)	(160,426)	(131,233)	(131,233)
Capital grants and contributions (see Note 16)	(1,823,440)	(1,837,502)	(1,561,918)	(1,567,250)
<b>Total</b>	<b>(5,832,405)</b>	<b>(5,846,467)</b>	<b>(5,393,105)</b>	<b>(5,398,437)</b>

## 14. Council Tax Precepts

The CIES contains the 2019/20 council tax precept issued by the Greater London Authority on the 32 London boroughs and the City of London Corporation and the Authority's share of the actual net surplus or deficit on their collection funds in respect of Council Tax. In the Movement in Reserves Statement the 2019/20 share of the council tax net surplus or deficit on their collection funds is reversed from the General Fund balance and taken to the Collection Fund Adjustment account and the cash received in 2019/20 for the Authority's estimated share of the 2018/19 net surplus/deficit – based on the forecasts submitted by billing authorities in January 2019 - is brought in as the amount required by statute to be credited to the General Fund. An analysis of these amounts is contained in the following table:

	2019/20 Precept Demand	2019/20 (surplus) /Deficit	Share of 2018/19 Estimated (Surplus / Deficit)	2018/19 Precept Demand	2018/19 (surplus) / Deficit	Share of 2017/18 Estimated (Surplus) / Deficit
	£000	£000	£000	£000	£000	£000
Corporation of London	(610)	(66)	(92)	(549)	(115)	(43)
Barking & Dagenham	(16,028)	(580)	(1,129)	(14,353)	2,901	(385)
Barnet	(46,653)	613	-	(41,757)	(345)	(1,875)
Bexley	(26,263)	(636)	(1,108)	(23,917)	(80)	(460)
Brent	(30,974)	282	(191)	(28,151)	110	(353)
Bromley	(42,124)	(1,353)	(1,715)	(38,251)	(1,548)	(1,974)
Camden	(29,006)	441	(99)	(26,186)	(47)	436
Croydon	(41,324)	(11)	(891)	(36,673)	(982)	(1,060)
Ealing	(37,016)	(262)	(1,389)	(33,271)	(761)	(700)
Enfield	(31,113)	429	(580)	(28,248)	(318)	(948)
Greenwich	(26,553)	(888)	(1,003)	(23,592)	(1,303)	(933)
Hackney	(23,254)	(610)	(693)	(20,933)	(673)	(1,054)
Hammersmith & Fulham	(25,403)	(1,586)	(90)	(22,908)	(765)	(723)
Haringey	(24,764)	(760)	(997)	(22,683)	(1,392)	(911)
Harrow	(27,644)	(364)	(633)	(24,852)	(650)	(677)
Havering	(28,409)	259	(99)	(25,700)	(312)	(38)
Hillingdon	(32,202)	45	(194)	(29,149)	(21)	(666)
Hounslow	(27,306)	(429)	(1,403)	(24,376)	(766)	(854)
Islington	(25,488)	(247)	(174)	(23,002)	(201)	(99)
Kensington & Chelsea	(31,227)	(695)	(2,018)	(28,345)	(329)	380
Kingston Upon Thames	(20,130)	(34)	-	(18,338)	38	(14)
Lambeth	(35,018)	(123)	(1,037)	(31,692)	385	(1,037)
Lewisham	(28,335)	60	(415)	(25,438)	(305)	(2,111)
Merton	(24,023)	(286)	(489)	(21,810)	(468)	(406)
Newham	(25,290)	(225)	(241)	(22,211)	(1,056)	(1,481)
Redbridge	(28,970)	(167)	(1,308)	(25,740)	(1,193)	(625)
Richmond Upon Thames	(28,354)	(124)	(312)	(26,119)	(112)	(361)
Southwark	(33,225)	433	(1,097)	(29,683)	(692)	(1,624)
Sutton	(23,476)	42	(118)	(21,401)	(44)	(291)
Tower Hamlets	(31,537)	471	-	(27,980)	176	(429)
Waltham Forest	(24,386)	(419)	(551)	(22,013)	(373)	(588)
Wandsworth	(42,697)	(1,102)	(1,483)	(38,451)	(1,329)	(1,416)
City of Westminster	(41,769)	(992)	(598)	(37,907)	(772)	(618)
<b>Amounts receivable</b>	<b>(960,569)</b>	<b>(8,884)</b>	<b>(22,144)</b>	<b>(865,678)</b>	<b>(13,344)</b>	<b>(23,939)</b>

## 15. Non-Domestic Rates income (NDR)

The CIES contains the Authority's share of 2019/20 non-domestic rates collected by the 32 London boroughs and the City of London Corporation and the Authority's share of the actual net surplus or deficit on their collection funds in respect of non-domestic rates. In the Movement in Reserves Statement the 2019/20 share of the actual net surplus or deficit in respect of non-domestic rates is reversed from the General Fund balance and taken to the Collection Fund Adjustment account and the Authority's estimated share of the 2018/19 net surplus/deficit – based on the forecasts submitted by billing authorities in January 2019 used for budgeting purposes - is brought in as the amount required by statute to be credited to the General Fund. An analysis of these amounts is contained in the following table:

	2019/20 NDR Income	2019/20 (Surplus) / Deficit	Share of 2018/19 Estimated (Surplus) / Deficit	2018/19 NDR Income	2018/19 (Surplus) / Deficit	Share of 2017/18 Estimated (Surplus) / Deficit
	£000	£000	£000	£000	£000	£000
Corporation of London	(325,175)	(13,294)	(14,635)	(417,008)	(17,072)	(7,765)
Barking & Dagenham	(14,360)	(406)	2,133	(22,030)	(119)	(105)
Barnet	(25,694)	(858)	3,185	(40,000)	2,171	1,856
Bexley	(20,642)	(1,316)	(1,481)	(23,874)	(819)	2,165
Brent	(35,778)	699	(691)	(47,096)	(1,249)	(86)
Bromley	(24,096)	298	905	(33,957)	449	159
Camden	(172,642)	(1,069)	4,478	(220,002)	1,841	11,118
Croydon	(33,567)	1,404	49	(46,624)	(2,377)	(2,735)
Ealing	(41,455)	(683)	(1,257)	(55,411)	125	(1,315)
Enfield	(28,537)	(623)	1,817	(39,999)	606	626
Greenwich	(27,720)	(2,432)	(4,255)	(33,077)	(4,020)	(4,451)
Hackney	(40,106)	(3,309)	(3,985)	(49,316)	(3,862)	(4,705)
Hammersmith & Fulham	(71,697)	134	(7,929)	(67,792)	(1,187)	16,002
Haringey	(18,492)	204	1,079	(25,643)	(943)	556
Harrow	(13,550)	(63)	421	(22,333)	494	(2,961)
Havering	(21,239)	657	178	(28,384)	635	654
Hillingdon	(99,750)	(143)	(181)	(131,156)	(320)	331
Hounslow	(47,823)	2,446	7,276	(85,279)	7,222	(7,522)
Islington	(78,378)	(1,698)	(2,173)	(106,476)	(3,665)	(4,721)
Kensington & Chelsea	(91,237)	(4,501)	(1,188)	(120,807)	(1,541)	(1,603)
Kingston Upon Thames	(24,947)	395	(1,576)	(31,600)	539	(533)
Lambeth	(50,664)	(1,909)	(5,303)	(63,487)	(3,728)	(4,724)
Lewisham	(17,683)	510	(487)	(22,087)	887	2,225
Merton	(22,156)	959	1,621	(30,533)	1,656	1,140
Newham	(37,438)	(4,097)	921	(51,145)	4,000	2,575
Redbridge	(10,255)	(1,267)	4,188	(21,041)	964	433
Richmond Upon Thames	(26,969)	1,140	(2,649)	(31,437)	(155)	849
Southwark	(92,447)	1,228	(1,429)	(125,644)	9,275	(7,178)
Sutton	(15,575)	47	(221)	(17,533)	(605)	1,788
Tower Hamlets	(126,743)	4,566	(345)	(153,237)	6,437	11,472
Waltham Forest	(17,519)	(994)	(79)	(25,795)	(43)	(1,774)
Wandsworth	(33,480)	(318)	(1,982)	(41,015)	(33)	1,627
City of Westminster	(601,290)	(11,284)	(875)	(858,233)	(15,311)	(77,211)
<b>Amounts receivable</b>	<b>(2,309,104)</b>	<b>(35,577)</b>	<b>(24,470)</b>	<b>(3,089,051)</b>	<b>(19,748)</b>	<b>(73,813)</b>

## 16. Grant Income

The Authority credited the following grants and contributions to the CIES.

<b>Credited to Taxation &amp; Non Specific Grant Income</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
<b>Non-ringfenced government grants (Revenue):</b>		
MHCLG* - S31 grant NDR reliefs	132,992	121,392
MHCLG - COVID-19	9,303	-
MHCLG - New Homes Bonus (revenue capital swap)	(248)	500
MHCLG - Right to Buy revenue	17,931	7,278
MHCLG - Other revenue grants	448	2,063
	<b>160,426</b>	<b>131,233</b>
<b>Capital grants and contributions:</b>		
MHCLG - Capital grants (Housing)	1,554,621	1,308,279
MHCLG - New Homes Bonus (revenue capital swap)	248	(500)
MHCLG - Millennium Mills	-	99
MHCLG - Local Growth Fund	34,142	87,781
MHCLG - Move-on funding	14,040	-
MHCLG - Community Led Housing	30,000	-
MHCLG - East Bank	15,000	-
MHCLG - Housing Infrastructure Fund - Marginal Viability Funding	7,893	-
MHCLG - Cladding remediation grant-Social Sector	55,162	35,383
MHCLG - Cladding remediation grant-Private Sector	49	-
DOH*- Care & Support Fund	28,457	30,748
Housing Grant reclaims	81,916	99,362
London Boroughs contributions for Elephant & Castle roundabout	-	163
Other Contributions	1,912	603
<b>Total</b>	<b>1,823,440</b>	<b>1,561,918</b>
	<b>1,983,866</b>	<b>1,693,151</b>



	2019/20	2018/19
<b>Credited to Services</b>	<b>£000</b>	<b>£000</b>
DfE* - Adult Education	192,466	-
MHCLG Voluntary RtB Pilot Fund	383	-
MHCLG ERDF (Specific Grant)	2,397	1,492
MHCLG - ERDF London Homes Eff Prog	108	-
MHCLG - Move-on funding	1,447	-
DWP* - European Social Fund	975	966
London Boroughs contributions for Northern Line Extension	-	65,249
European Investment Bank	-	416
Fuel Cells & Hydrogen Joint Undertaking	23	2,883
Home Office	125	43
NHS* Commissioning Board	188	58
European Commission - Horizon 2020	5,562	4,002
LB Newham - Royal Docks Enterprise Zones	3,877	2,007
Other contributions	8,914	7,717
<b>Total</b>	<b>216,465</b>	<b>84,833</b>

The following grants have conditions which have not yet been met and are held as creditors in the balance sheet. They will be recognised as income in future years.

	2019/20	2018/19
<b>Grants Receipts In Advance (Capital Grants)</b>	<b>£000</b>	<b>£000</b>
MHCLG - Growing Places Fund	39,100	59,395
MHCLG - Local Growth Fund	4,134	14,062
London Borough of Southwark-S106 Elephant & Castle	24,493	19,863
Other grants	119	119
MHCLG - Housing Infrastructure Fund - Marginal Viability Funding	8,508	-
Housing Action Trust dowry	1,543	1,543
	<b>77,897</b>	<b>94,982</b>

	2019/20	2018/19
<b>Grants Receipts In Advance (Revenue Grants)</b>	<b>£000</b>	<b>£000</b>
MHCLG - NNDR1 2020/21 rate relief payment on account	180,282	-
MHCLG - Controlling migration funding (funding for rough sleepers)	-	1,210
Other grants and contributions	-	3,668
	<b>180,282</b>	<b>4,878</b>

\*MHCLG-Ministry of Housing, Communities & Local Government; DOH-Dept of Health & Social Care; DfE-Dept for Education;DWP-Dept for Works and Pensions; NHS-National Health Service

## 17. Elections

The table below contains a summary of the expenditure incurred in year in preparation for the Mayor of London and London Assembly elections planned for May 2020. These elections were postponed with only six weeks' notice due to COVID 19. This resulted in unavoidable expenditure in relation to the cancelled elections, met from the Reserves. The costs for the elections now planned for May 2021, will be incurred in 2020/21 and 2021/22.

	2019/20	2018/19
	£000	£000
<b>Gross Income</b>	-	-
<b>Gross Expenditure</b>		
Staff	299	60
Premises	60	-
Supplies and Services	5,512	1,551
<b>Net Expenditure</b>	<b>5,871</b>	<b>1,611</b>
Net contribution to/ (from) Reserves	504	4,764
<b>Amount to be met by Grant and Taxpayer</b>	<b>6,375</b>	<b>6,375</b>

## 18. Operating Leases

### Authority and Group as Lessee

The Group has the following operating leases:

#### Greater London Authority

- Property lease - City Hall, The Queen's Walk, London SE1 2AA which is the Authority's main headquarters;
- Property lease – Union Street, London (part of the ground and first floor) - accommodation for some of the Authority's directorates; and
- Property lease - London House, Leopold Plaza, Rue de Trône, Brussels which houses the London European Office

#### London Legacy Development Corporation

- Property lease- LLDC leases office accommodation under a 10-year lease
- Waterways lease – rent payable to the Canal River Trust. This lease was signed on 31 March 2015 but as payments are contingent the rent payable in future years has not been included in the table below.

The minimum lease payments due under non-cancellable leases in future years are:

	<b>Authority 31 March 2020 £000</b>	<b>Group 31 March 2020 £000</b>	<b>Authority 31 March 2019 £000</b>	<b>Group 31 March 2019 £000</b>
Not later than one year	9,476	12,556	7,972	9,602
Later than one year and not later than five years	36,567	44,957	44,561	48,006
Later than five years	16,662	54,357	16,658	52,155
	<b>62,705</b>	<b>111,870</b>	<b>69,191</b>	<b>109,763</b>

The expenditure charged to the CIES during the year in relation to these leases amounted to:

	<b>Authority 2019/20 £000</b>	<b>Group 2019/20 £000</b>	<b>Authority 2018/19 £000</b>	<b>Group 2018/19 £000</b>
Rent payable in year	9,477	12,650	7,996	9,645
	<b>9,477</b>	<b>12,650</b>	<b>7,996</b>	<b>9,645</b>

### Authority and Group as Lessor

Details of properties leased out as operating leases include:

#### GLA Land and Property Limited

- Thames Wharf – Dock Road and Scarab Close - the site is currently occupied by a number of industrial type occupiers comprising waste management, aggregate storage and a concrete batching facility;
- Wick Lane, Poplar London - a 3 bedroomed semi-detached house;
- Royal Docks – Silvertown Dock, Albert Island, Thames Barrier Park – various properties currently occupied by a number of commercial and industrial type businesses;
- Beam Park - TfL are occupying 2 hectares of land to store salt;
- Ferry Lane, Dagenham - currently leased to a commercial enterprise and land is being used for open storage; and
- Marsh View, Ferry Lane, Rainham – currently leased to a commercial enterprise and land is being used for open storage.

#### London Legacy Development Corporation

- London Aquatics Centre and Copper Box Arena - Greenwich Leisure Limited has been appointed as the operator of the Aquatics Centre and Copper Box Arena under a 10-year arrangement.
- Stadium Island - leased to E20 Stadium LLP under a 102-year lease arrangement
- Here East - leased to iCITY (London) Limited over a 200-years lease.
- Multi Storey Car Park: proportion of spaces leased to iCITY (London) Limited
- Off Park rental properties: currently leased by a mixture of industrial and residential tenants.

- Queen Elizabeth Olympic Park - various cafe and kiosks leased across the Park, including the Podium and Timber Lodge.
- Chobham Manor - leased to Chobham Manor LLP for residential and business development over a 250-year lease.

The total minimum lease payments receivable under non-cancellable leases in future years are:

	<b>Group 31 March 2020 £000</b>	<b>Group 31 March 2019 £000</b>
Not later than one year	5,283	5,620
Later than one year and not later than five years	14,160	17,330
Later than five years	432,869	435,193
	<b>452,312</b>	<b>458,143</b>

The income credited to the CIES during the year in relation to these leases amounted to:

	<b>Group 2019/20 £000</b>	<b>Group 2018/19 £000</b>
Rent receivable in year	5,741	6,600
Lease surrender premium	11,515	-
	<b>17,256</b>	<b>6,600</b>

## 19. Mayor and Assembly Members' remuneration and expenses

The table below shows the total amount of remuneration and expenses reclaimed by the Mayor and Assembly members during the year. The amount for travel cards is the cash value of travel cards issued during the year.

		Salary	Employer Pension Contributions	Travel Card	Foreign Travel	Other	Total
		£	£	£	£	£	£
<b>Mayor</b>	Khan, Sadiq	152,734	-	-	-	570	153,304
<b>Statutory Deputy Mayor</b>	McCartney, Joanne	105,269	12,632	2,020	-	-	119,921
<b>Current Assembly Members</b>							
Assembly Member	Arbour, Tony	59,548	-	-	-	-	59,548
Assembly Member	Arnold, Jennette	70,225	8,427	247	-	-	78,899
Assembly Member	Bacon, Gareth	47,212	5,288	2,568	-	-	55,068
Assembly Member	Bailey, Shaun	58,543	-	2,568	-	-	61,111
Assembly Member	Berry, Sian	58,543	7,025	1,404	-	-	66,972
Assembly Member	Boff, Andrew	58,543	7,025	-	-	-	65,568
Assembly Member	Cooper, Leonie	58,543	7,025	2,020	-	-	67,588
Assembly Member	Desai, Unmesh	58,543	7,025	-	-	-	65,568
Assembly Member	Devenish, Tony	58,543	7,025	-	-	-	65,568
Assembly Member	Dismore, Andrew	58,543	7,025	-	-	-	65,568
Assembly Member	Duvall, Len	58,543	7,025	2,568	-	78	68,214
Assembly Member	Eshalomi, Florence	47,212	5,288	2,020	-	-	54,520
Assembly Member	Gavron, Nicky	58,543	-	-	-	-	58,543
Assembly Member	Hall, Susan	58,543	7,025	-	-	-	65,568
Assembly Member	Kurten, David	58,543	7,025	2,565	-	-	68,133
Assembly Member	O'Connell, Stephen	58,543	7,025	2,568	-	-	68,136
Assembly Member	Pidgeon, Caroline	58,543	7,025	2,568	-	-	68,136
Assembly Member	Prince, Keith	58,543	7,025	-	-	-	65,568
Assembly Member	Russell, Caroline	58,543	7,025	1,404	-	-	66,972
Assembly Member	Sahota, Onkar	58,543	-	-	-	-	58,543
Assembly Member	Shah, Navin	58,543	7,025	-	-	-	65,568
Assembly Member	Whittle, Peter	58,543	7,025	2,568	-	-	68,136
<b>Former Assembly Members</b>							
Assembly Member	Copley, Tom*	57,127	6,855	2,568	-	-	66,550
Assembly Member	Twycross, Fiona*	109,379	12,992	2,568	-	-	124,939
<b>Total 2019/20</b>		<b>1,702,479</b>	<b>156,859</b>	<b>32,224</b>	<b>-</b>	<b>648</b>	<b>1,892,210</b>
<b>Total 2018/19</b>		<b>1,702,967</b>	<b>156,480</b>	<b>37,925</b>	<b>521</b>	<b>435</b>	<b>1,898,329</b>

\*Fiona Twycross is also the Deputy Mayor, Fire and Resilience

\* Tom Copley is now Deputy Mayor for Housing and Residential

## 20. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

2019/20

Post	Name of Post Holder	Salary (Including fees and allowances) £	Compensation for loss of office £	Employer Pension Contributions £	Total Remuneration including pension contributions £
<b>GLA Staff</b>					
Chief Officer	Mary Harpley	193,800	-	23,256	217,056
Executive Director of Resources Note 1	Martin Clarke	153,371	-	18,405	171,776
Executive Director of Housing and Land	David Lunts	177,033	-	21,244	198,277
Executive Director of Secretariat	Ed Williams	139,988	-	16,799	156,787
Executive Director of Good Growth (from 13/01/2020) Note 2	Philip Graham	28,306	-	3,397	31,703
Monitoring Officer & Assistant Director of External Affairs Note 3	Emma Strain	148,420	-	17,810	166,231
Interim Executive Director of Communities and Intelligence (from 08/01/2020) Note 4	Halima Khan	18,032	-	2,164	20,196
Interim Executive Director of Communities and Intelligence	Sarah Mulley	99,257	-	11,911	111,168
Executive Director of Strategy and Communications (from 03/12/2019 inward secondees) Note 5	Niranjeet Mothada	52,020	-	0	52,020
Interim Executive Director of Housing and Land	Rickardo Hyatt	140,811	-	16,897	157,708
<b>Former GLA Staff</b>					
Former Interim Executive Director of Good Growth (up to 13/01/2020)	Debbie Jackson	141,423	-	16,971	158,394
<b>Mayoral Team</b>					
<b>Statutory Deputy Mayor / Deputy Mayor, Education and Childcare</b>		Joanne McCartney		See note 19	
Chief of Staff	David Bellamy	140,456	-	16,799	157,255
Deputy Mayor for Business	Rajesh Agrawal	132,664	-	15,920	148,584
Deputy Mayor for Housing and Residential Development (from 23/03/2020) Note 6	Tom Copley	60,336	-	6,855	67,191
Deputy Mayor for Planning, Regeneration and Skills	Jules Pipe	132,664	-	15,920	148,584
Deputy Mayor for Environment and Energy	Shirley Rodrigues	132,664	-	6,633	139,297
Deputy Mayor for Social Integration, Social Mobility and Community Engagement	Debbie Weekes-Bernard	132,664	-	15,920	148,584
Deputy Mayor for Transport	Heidi Alexander	132,664	-	15,920	148,584
Deputy Mayor for Culture and the Creative Industries	Justine Simons	132,664	-	15,920	148,584
Deputy Mayor for Fire and Resilience	Fiona Twycross	112,589	-	13,126	125,714
Mayoral Director, Policy	Nick Bowes	119,266	-	14,312	133,578
Mayoral Director, Communications	Patrick Hennessy	127,357	-	15,283	142,640
Mayoral Director, External and International Affairs	Leah Kreitzman	119,266	-	14,312	133,578
Mayoral Director, Political and Public Affairs	Jack Stenner	119,266	-	14,312	133,578
Deputy Mayor for Policing and Crime	Sophie Linden	Remuneration paid by the Mayor's Office for Policing and Crime			
<b>Former Mayoral Team</b>					
Former Deputy Mayor for Housing and Residential (up to 01/11/2019)	James Murray	78,069	-	9,330	87,399

Note 1 Post holder retired 31 March 2020

Note 2 Full year salary includes previous post as Assistant Director for Regeneration and Economic Development

Note 3 Full year salary includes previous post as Interim Executive Director of Communities and Intelligence until 08/01/2020 (job share). Emma Strain previous post holder.

Note 4 The post holder became Interim Executive Director of Communities and Intelligence from 08/01/2020 (job share)

Note 5 The post holder became Executive Director of Strategy and Communications from 03/12/2019 (inward secondees, represents the fee charged by DEFRA)

Note 6 The post holder became full time Deputy Mayor from 23/03/2020

Post	Name of Post Holder	Salary (Including fees and allowances) £	Compensation for loss of office £	Employer Pension Contributions £	Total Remuneration including pension contributions £
<b>GLA Staff</b>					
<b>Chief Officer</b> (from 10/09/2018)	Mary Harpley	106,083	-	12,730	<b>118,813</b>
<b>Executive Director of Resources</b>	Martin Clarke	150,364	-	18,044	<b>168,408</b>
<b>Executive Director of Housing and Land</b>	David Lunts	175,752	-	21,090	<b>196,842</b>
<b>Executive Director of Secretariat</b>	Ed Williams	137,243	-	16,469	<b>153,712</b>
<b>Interim Executive Director of Development, Enterprise and Environment</b> (from 04/02/2019) <sup>Note 1</sup>	Debbie Jackson	111,230	-	13,348	<b>124,578</b>
<b>Monitoring Officer &amp; Assistant Director of External Affairs/ Interim Executive Director of Communities and Intelligence</b> (from 04/06/2018) <sup>Note 2</sup>	Emma Strain	145,478	-	17,457	<b>162,936</b>
<b>Interim Executive Director of Communities and Intelligence</b> (from 04/06/2018) <sup>Note 3</sup>	Sarah Mulley	88,894	-	10,667	<b>99,561</b>
<b>Former GLA Staff</b>					
<b>Former Head of Paid Service &amp; Executive Director of Communities &amp; Intelligence &amp; Greater London Returning Officer</b> (up to 04/05/2018)	Jeff Jacobs	16,346	-	1,962	<b>18,308</b>
<b>Former Executive Director of Development, Enterprise and Environment</b> (up to 17/06/2018)	Fiona Fletcher-Smith	31,531	-	3,784	<b>35,314</b>
<b>Former Interim Executive Director of Development, Enterprise and Environment</b> (up to 16/03/2019)	Lucy Owen	106,453	-	12,871	<b>119,324</b>
<b>Mayoral Team</b>					
<b>Statutory Deputy Mayor / Deputy Mayor, Education and Childcare</b>	Joanne McCartney		See note 19		
<b>Chief of Staff</b>	David Bellamy	137,243	-	16,469	<b>153,712</b>
<b>Deputy Mayor for Business</b>	Rajesh Agarwal	130,063	-	15,608	<b>145,671</b>
<b>Deputy Mayor for Housing and Residential Development</b>	James Murray	131,000	-	15,608	<b>146,607</b>
<b>Deputy Mayor for Planning, Regeneration and Skills</b>	Jules Pipe	130,063	-	15,608	<b>145,671</b>
<b>Deputy Mayor for Environment and Energy</b>	Shirley Rodrigues	130,063	-	-	<b>130,063</b>
<b>Deputy Mayor for Social Integration, Social Mobility and Community Engagement</b> (from 19/11/2018)	Debbie Weekes-Bernard	47,690	-	5,723	<b>53,413</b>
<b>Deputy Mayor for Transport</b> (from 11/06/2018)	Heidi Alexander	104,773	-	12,573	<b>117,346</b>
<b>Deputy Mayor for Culture and the Creative Industries</b>	Justine Simons	130,063	-	15,608	<b>145,671</b>
<b>Deputy Mayor for Fire and Resilience</b> (from 01/04/2018) <sup>Note 4</sup>	Fiona Twycross	108,263	-	12,992	<b>121,254</b>
<b>Mayoral Director, Policy</b>	Nick Bowes	114,633	-	13,756	<b>128,389</b>
<b>Mayoral Director, Communications</b>	Patrick Hennessy	124,860	-	14,983	<b>139,843</b>
<b>Mayoral Director, External and International Affairs</b>	Leah Kreitzman	114,633	-	13,756	<b>128,389</b>
<b>Mayoral Director, Political and Public Affairs</b>	Jack Stenner	114,633	-	13,756	<b>128,389</b>
<b>Deputy Mayor for Policing and Crime</b>	Sophie Linden	Remuneration paid by the Mayor's Office for Policing and Crime			
<b>Former Mayoral Team</b>					
<b>Former Deputy Mayor for Transport</b> (up to 08/06/2018)	Val Shawcross	24,086	-	2,890	<b>26,976</b>
<b>Former Deputy Mayor for Social Integration, Social Mobility and Community Engagement</b> (up to 09/11/2018)	Matthew Ryder	86,922	-	9,495	<b>96,416</b>

Note 1 Full year salary includes previous post as Assistant Director for Regeneration and Economic Development

Note 2 The post holder became Interim Executive Director of Communities and Intelligence from 04/06/2018 (job share)

Note 3 The post holder was Assistant Director for Communities and Social Policy up to 19/08/2018

Note 4 Salary also reported in Note 19

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2019/20	2018/19
	Number of Employees	Number of Employees
£		
50,000 - 54,999	124	115
55,000 - 59,999	117	78
60,000 - 64,999	42	37
65,000 - 69,999	25	19
70,000 - 74,999	25	26
75,000 - 79,999	16	14
80,000 - 84,999	17	13
85,000 - 89,999	13	9
90,000 - 94,999	9	4
95,000 - 99,999	2	-
100,000 - 104,999	-	2
105,000 - 109,999	3	2
110,000 - 114,999	2	5
115,000 - 119,999	4	2
120,000 - 124,999	1	2
125,000 - 129,999	2	1
130,000 - 134,999	-	1
135,000 - 139,999	-	-
140,000 - 144,999	2	1
145,000 - 149,999	-	-
150,000 - 154,999	-	-
155,000 - 159,999	-	-
160,000 - 164,999	-	-
165,000 - 169,999	-	-
170,000 - 174,999	-	1
175,000 - 179,999	-	-
180,000 - 184,999	-	-
185,000 - 189,999	-	1
	<b>404</b>	<b>333</b>



## Termination Benefits

The table below details the number and cost of compulsory and voluntary severances packages agreed during the year for staff.

The Authority terminated the contracts of a number of employees in 2019/20, incurring liabilities of £277,033 (£373,308 in 2018/19). This money was paid to ten officers from several directorates.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020 £	2018/2019 £
£0 - £20,000	-	1	5	3	5	4	53,192	20,792
£20,001 - £40,000	-	-	2	5	2	5	70,576	156,265
£40,001 - £60,000	-	1	2	3	2	4	88,596	196,251
£60,001 - £80,000	-	-	1	-	1	-	64,669	-
<b>Total amount included in the CIES</b>	<b>-</b>	<b>2</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>13</b>	<b>277,033</b>	<b>373,308</b>

## 21. Pensions

As part of the terms and conditions of employment of its elected members, officers and other employees, the Group makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the group has a commitment to make the payments that needs to be disclosed at the time the employees earn their future entitlement.

### Local Government Pension Scheme

The LGPS, administered by the London Pensions Fund Authority, is a defined benefit statutory scheme - from 1 April 2014 the LGPS became a career average revalued earnings scheme (benefits built up to 31 March 2014 are protected under the final salary scheme) - meaning that the GLA, OPDC and LLDC employees and elected officers pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The employer contributions payable to the London Pension Fund Authority are paid in at a percentage of employees' pensionable earnings. The contribution rate is determined by the pension fund's actuary based on triennial actuarial valuations, the 31 March 2016 actuarial valuation set the Authority's employer contribution rate for the period 1 April 2017 to 31 March 2020.

Under pension regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund. The value of in-year employer contribution and the applicable contribution rates are set out in the table below.

	2019/20	2018/19	Contribution rate for period 1 April 2017 to 31 March 2020	Contribution rate for period 1 April 2014 to 31 March 2017
	£m	£m	%	%
GLA	6.3	5.20	12	12
OPDC	0.3	0.20	12	12
LLDC	1.2	1.10	12	12

A triennial actuarial review was undertaken at 31 March 2019 and has determined the employer contribution rate for the period 1 April 2020 to 31 March 2023. The employer contribution rate for the group entities remains at 12%.

### Transactions Relating to Post-Employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement during the year:

	2019/20 Authority £000	2019/20 Group £000	2018/19 Authority £000	2018/19 Group £000
<b>Cost of Retirement Benefits</b>				
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services</b>				
Current service costs	17,374	21,337	14,465	17,970
Administration Fee	355	386	321	347
(Gain)/loss from settlements	607	607	3,842	4,414
	<b>18,336</b>	<b>22,330</b>	<b>18,628</b>	<b>22,731</b>
<b>Financing and Investment Income and Expenditure</b>				
Net Interest Expense	3,488	4,007	3,628	4,108
<b>Total Post-employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>21,824</b>	<b>26,337</b>	<b>22,256</b>	<b>26,839</b>
<b>Other Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	14,969	15,905	(15,743)	(16,932)
Actuarial (gains)/losses arising on changes in financial assumptions	(59,305)	(67,726)	24,419	27,657
Actuarial (gains)/losses arising on changes in demographic assumptions	1,252	1,087	(22,338)	(24,920)
Experience (gains)/losses on defined benefit obligation	15,255	19,199	-	-
Other actuarial (gains)/losses on assets	3,147	2,426	-	-
<b>Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(2,858)</b>	<b>(2,772)</b>	<b>8,594</b>	<b>12,644</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(21,824)	(26,337)	(22,256)	(26,839)
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>				
Employers' contributions payable to the Local Government Pension Scheme	6,284	7,687	5,198	6,503

## Pensions Asset and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the GLA's, OPDC's and LLDC's obligation in respect of their defined benefit plans is as follows:

	2019/20 Authority £000	2019/20 Group £000	2018/19 Authority £000	2018/19 Group £000
Present value of the defined benefit obligation	(403,106)	(450,702)	(418,398)	(464,325)
Fair Value of scheme assets (bid value)	266,753	293,731	272,903	296,945
Deferred tax asset on the defined benefit obligation	-	3,336	-	3,472
<b>Net liability arising from defined benefit obligation</b>	<b>(136,353)</b>	<b>(153,635)</b>	<b>(145,495)</b>	<b>(163,908)</b>

## Reconciliation of fair value of the scheme (plan) assets:

	2019/20 Authority £000	2019/20 Group £000	2018/19 Authority £000	2018/19 Group £000
<b>Opening fair value of scheme assets</b>	<b>272,903</b>	<b>296,945</b>	<b>246,711</b>	<b>267,152</b>
Interest Income	6,754	7,375	6,470	7,025
<i>Remeasurement gain/(loss):</i>				
Return on plan assets less interest	(14,969)	(15,905)	15,743	16,932
Administration expenses	(355)	(386)	(321)	(347)
Other actuarial gains/(losses)	(3,147)	(2,476)	-	-
Contributions from employer	6,284	7,687	5,198	6,503
Contributions from employees into the scheme	4,106	5,024	3,617	4,469
Benefits paid	(4,823)	(4,533)	(4,515)	(4,789)
<b>Closing fair value of scheme assets</b>	<b>266,753</b>	<b>293,731</b>	<b>272,903</b>	<b>296,945</b>

## Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	2019/20 Authority £000	2019/20 Group £000	2018/19 Authority £000	2018/19 Group £000
<b>Opening balance at 1 April</b>	<b>(418,398)</b>	<b>(464,325)</b>	<b>(388,810)</b>	<b>(428,330)</b>
Current service cost	(17,374)	(21,337)	(14,465)	(17,970)
Interest cost	(10,242)	(11,382)	(10,098)	(11,133)
Contributions from scheme participants	(4,106)	(5,024)	(3,617)	(4,469)
<i>Remeasurement gains and (losses):</i>				
Actuarial gains/(losses) arising from changes in demographic assumptions	(1,252)	(1,087)	22,338	24,920
Actuarial gains/(losses) arising from changes in financial assumptions	59,305	67,726	(24,419)	(27,657)
Experience gains/(loss) on defined benefit obligation	(15,255)	(19,199)	-	-
Past service costs, including curtailments	(607)	(607)	(3,842)	(4,475)
Estimated benefits paid net of transfers in	4,823	4,533	4,515	4,789
<b>Closing balance at 31 March</b>	<b>(403,106)</b>	<b>(450,702)</b>	<b>(418,398)</b>	<b>(464,325)</b>

## Local Government Pension Scheme assets comprised (Bid value):

Authority		2019/20 Authority Quoted Prices £000	%	2019/20 Authority Unquoted Prices £000	2019/20 Total £000	2018/19 Authority Quoted Prices £000	2018/19 Authority Unquoted Prices £000	2018/19 Total £000
<b>Equities</b>								
Segregated:								
Real Estate	1.4%	3,735	0.0%	-	3,735	3,912	-	3,912
Consumer	12.1%	32,384	0.0%	-	32,384	30,174	-	30,174
Energy	0.4%	1,067	0.0%	-	1,067	1,625	-	1,625
Financials	5.7%	15,205	0.0%	-	15,205	14,746	-	14,746
Health Care	2.7%	7,202	0.0%	-	7,202	9,081	-	9,081
Industrial	5.0%	13,338	0.0%	-	13,338	14,261	-	14,261
Technology	6.9%	18,486	0.0%	-	18,486	18,233	-	18,233
Materials	1.1%	2,934	0.0%	-	2,934	3,502	-	3,502
Communications	2.5%	6,669	0.0%	-	6,669	6,560	-	6,560
Utilities	1.2%	3,201	0.0%	-	3,201	2,611	-	2,611
Fixed Income & Other	0.0%	-	-	-	-	-	-	-
Trade Cash/Pending	2.1%	5,602	0.0%	-	5,602	6,404	-	6,404
Synthetic Equity	0.9%	2,401	0.0%	-	2,401	2,077	-	2,077
<b>Private Equity</b>	0.0%	-	8.3%	22,140	22,141	-	26,744	26,744
<b>Fixed Income</b>	4.9%	13,071	0.0%	-	13,071	12,393	-	12,393
<b>Total Return</b>								
Investment/Hedge funds and Unit trusts	12.1%	32,357	0.0%	-	32,357	36,339	-	36,339
<b>Credit</b>	0.0%	-	7.4%	19,740	19,740	-	20,831	20,831
<b>Infrastructure</b>	0.0%	-	7.0%	18,673	18,673	-	15,486	15,486
<b>Property Fund/Real Estate</b>	0.0%	-	9.1%	24,275	24,275	-	24,510	24,510
<b>Cash</b>								
Cash at bank	2.0%	5,335	0.0%	-	5,335	7,528	-	7,528
LDI	6.2%	16,539	0.0%	-	16,539	15,654	-	15,654
Currency (forward contracts)	0.0%	-	0.9%	2,401	2,401	-	211	211
<b>Total</b>	<b>67.2%</b>	<b>179,525</b>	<b>32.7%</b>	<b>87,228</b>	<b>266,753</b>	<b>185,100</b>	<b>87,782</b>	<b>272,882</b>

Group	2019/20 Group Quoted Prices £000	2019/20 Group Unquoted Prices £000	2019/20 Total £000	2018/19 Group Quoted Prices £000	2018/19 Group Unquoted Prices £000	2018/19 Total £000
<b>Equities</b>						
Seggregated:						
Real Estate	4,091	-	4,091	4,249	-	4,249
Consumer	35,479	-	35,479	32,736	-	32,736
Energy	1,169	-	1,169	1,769	-	1,769
Financials	16,658	-	16,658	16,043	-	16,043
Health Care	7,891	-	7,891	9,874	-	9,874
Industrial	14,612	-	14,612	15,486	-	15,486
Technology	20,253	-	20,253	19,699	-	19,699
Materials	3,215	-	3,215	3,814	-	3,814
Communications	7,306	-	7,306	7,161	-	7,161
Utilities	3,507	-	3,507	2,851	-	2,851
Fixed Income & Other	-	-	-	-	-	-
Trade Cash/Pending	6,137	-	6,137	6,933	-	6,933
Synthetic Equity	2,630	-	2,630	2,221	-	2,221
<b>Private Equity</b>	-	24,256	24,256	-	29,183	29,183
<b>Fixed Income</b>	14,320	-	14,320	13,523	-	13,523
<b>Total Return</b>						
Investment/Hedge funds and Unit trusts	35,449	-	35,449	39,715	-	39,715
<b>Credit</b>	-	21,626	21,626	-	22,729	22,729
<b>Infrastructure</b>	-	20,457	20,457	-	16,928	16,928
<b>Property Fund/ Real Estate</b>	-	26,594	26,594	-	26,781	26,781
<b>Cash</b>						
Cash at bank	5,845	-	5,845	8,057	-	8,057
LDI	18,119	-	18,119	16,904	-	16,904
Currency (forward contracts)	-	2,630	2,630	-	259	259
<b>BlackRock DDG</b>	-	-	-	21	-	21
<b>Total</b>	<b>196,682</b>	<b>95,564</b>	<b>292,246</b>	<b>201,057</b>	<b>95,879</b>	<b>296,936</b>

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The London Pensions Fund Authority's Local Government Pension Scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, estimates of the London Pensions Fund Authority's fund being based on the latest full valuation of the scheme as at 31 March 2016.

The pension increase has been calculated using the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

### The principal assumptions used by the actuary in their calculations have been:

	2019/20 Authority	2019/20 Group	2018/19 Authority	2018/19 Group
Expected return on assets	2.35%	2.35%	2.45%	2.80%
<b>Mortality Assumptions</b>				
Longevity at 65 for current pensioners (Unweighted):	Years	Years	Years	Years
Men	22.2	21.9 - 22.4	21.0	21.0 - 21.5
Women	24.4	24.4 - 24.7	23.6	23.6 - 23.8
Longevity at 65 for current pensioners (Weighted by liability):				
Men	23.0	22.6 - 23.1	-	-
Women	24.8	24.5 - 24.8	-	-
Longevity at 65 for future pensioners (Unweighted):				
Men	23.5	23.2 - 24.0	22.8	22.8 - 23.3
Women	25.8	25.8 - 26.1	25.3	25.3 - 25.7
Longevity at 65 for future pensioners (Weighted by liability):				
Men	23.9	23.9 - 24.3	-	-
Women	26.0	25.9 - 26.2	-	-
Rate of inflation - RPI	2.60%	2.55% - 2.60%	3.40%	3.35% - 3.40%
Rate of inflation - CPI	1.80%	1.75% - 1.80%	2.40%	2.35% - 2.40%
Rate of increase in salaries	2.80%	2.75% - 2.80%	3.90%	3.85% - 3.90%
Rate of increase in pensions	1.80%	1.75% - 1.80%	2.40%	2.35% - 2.40%
Rate for discounting scheme liabilities	2.35%	2.35%	2.45%	2.45%

The return on the fund (on a bid value to bid value basis) for the year to 31 March 2020 is estimated to be -3%, the actual return on fund assets may be different.

### Sensitivity Analysis

The following table sets out the impact of a small change in the key assumptions on the defined benefit obligation.

	Increase in Assumption £000	Actual £000	Decrease in Assumption £000
<b>Rate for discounting scheme liabilities (increase or decrease by 0.1%)</b>			
Greater London Authority	(393,081)	(403,106)	(413,397)
Old Oak and Park Royal Development Corporation	(5,721)	(5,918)	(6,122)
London Legacy Development Corporation	(40,485)	(41,678)	(42,908)
<b>GLA Group</b>	<b>(439,287)</b>	<b>(450,702)</b>	<b>(462,427)</b>
<b>Rate of increase in salaries (increase or decrease by 0.1%)</b>			
Greater London Authority	(403,892)	(403,106)	(402,328)
Old Oak and Park Royal Development Corporation	(5,935)	(5,918)	(5,901)
London Legacy Development Corporation	(41,788)	(41,678)	(41,569)
<b>GLA Group</b>	<b>(451,615)</b>	<b>(450,702)</b>	<b>(449,798)</b>
<b>Rate of increase in pensions (increase or decrease by 0.1%)</b>			
Greater London Authority	(412,657)	(403,106)	(393,795)
Old Oak and Park Royal Development Corporation	(6,106)	(5,918)	(5,736)
London Legacy Development Corporation	(42,804)	(41,678)	(40,585)
<b>GLA Group</b>	<b>(461,567)</b>	<b>(450,702)</b>	<b>(440,116)</b>
<b>Longevity (increase or decrease in 1 year)</b>			
Greater London Authority	(416,622)	(403,106)	(390,029)
Old Oak and Park Royal Development Corporation	(6,117)	(5,918)	(5,726)
London Legacy Development Corporation	(43,077)	(41,678)	(40,325)
<b>GLA Group</b>	<b>(465,816)</b>	<b>(450,702)</b>	<b>(436,080)</b>

### Impact on future cash flows

The total contributions expected to be made to the Local Government Pension Scheme by the Group in the year to 31 March 2021 is £7.3m.

### Greater London Authority AVIVA master trust scheme

The Greater London Authority AVIVA master trust scheme is a defined contribution scheme open to the Mayor and Assembly Members.

Employer contributions are payable at 12% of pensionable pay. A total of £0.2m employer contributions were paid in 2019/20 (£0.2m for 2018/19).

### Principal Civil Service Pension Scheme

The PCSPS is an unfunded multi-employer defined benefit scheme, details can be found in the resource accounts of the Cabinet Office: Civil Superannuation <https://www.civilservicepensionscheme.org.uk/>

In 2019/20, London TravelWatch paid £0.1m (2018/19 - £0.1m) at one of four rates (26.6% to 30.3%) of pensionable pay to the Principal Civil Service Pension Scheme.



## Homes and Communities Agency Pension Scheme

LLDC has one member of staff in the Homes and Communities Agency Pension Scheme, the scheme has been accounted for as if it were a defined contribution plan. The Homes and Communities Agency Pension Scheme is exempt from defined benefit accounting as the pension scheme exposes participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the pension scheme.

Contributions are accounted for in operating costs and amount to £0.03m (2018/19 - £0.02m).

## 22. External Audit Costs

The Authority and Group have incurred the following costs in relation to the audit of the Statement of Accounts for services provided by external auditors.

	Authority 2019/20 £000	Group 2019/20 £000	Authority 2018/19 £000	Group 2018/19 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	128	397	99	298
Fees payable in respect of other services provided by the external auditors during the year	-	-	2	2
	<b>128</b>	<b>397</b>	<b>101</b>	<b>300</b>

## 23. Agency arrangements

The GLA is the designated Intermediate Body (IB) for the management and administration of the European Regional Development Fund (ERDF) programmes in London and carries out the function on behalf of MHCLG under Article 123 of EC Regulation 1303/2013. In carrying out this function, the GLA acts as MHCLG's agent, making funding decisions and entering into contracts on behalf of MHCLG.

### London Green Fund (LGF) (formerly JESSICA Holding Fund London)

The Joint European Support for Sustainable Investment in City Area (JESSICA) is a policy initiative of the European Commission, supported by the European Investment Bank (EIB), and designed to help the authorities in the Member States of the European Union to exploit financial engineering mechanisms to support investment in sustainable urban development in the context of the cohesion policy. Under this programme, Managing Authorities (MHCLG for England) are allowed to use some of their Structural Funds, principally those supported by the ERDF to invest in Urban Development Funds to accelerate investment in urban areas.

For the London region, MHCLG's ERDF investment has been matched funded by the London Waste and Recycling Board (LWARB) and the London Development Agency (LDA). In October 2009, the LDA, LWARB and the EIB signed a funding agreement for the purpose of establishing the JESSICA Holding Fund, also known as the London Green Fund. On 1 July 2011, when the operational responsibilities for the ERDF transferred to the GLA, the responsibility for MHCLG's ERDF contribution transferred also.

At 31 March 2020, £110m has been invested and comprises £60m of ERDF, £18m of LWARB and £32m of GLA (formerly LDA) funds. The LGF provides funding for three urban development funds that invest directly in waste, energy efficiency, decentralised energy and social housing programmes.

The Authority manages the fund on behalf of itself, LWARB and the ERDF (EU Commission). During the year, the Authority received £1.1m (£0.4m in 2018/19) in interest on the balances invested and part payment of the original investment, net of fund manager fees; at 31 March 2020 the Authority is holding ERDF cash of £9.2m (£8.6m at 31 March 2019) on behalf of the MHCLG.

#### **Mayor of London's Energy Efficiency Fund (MEEF)**

The Mayor of London's Energy Efficiency Fund (MEEF) is a new low carbon infrastructure fund providing repayable finance to viable projects across London. The Authority, in its role as Intermediate Body and MHCLG's agent, committed £43m of European Regional Development Fund (ERDF) funding to the MEEF (MD2165) and on 29 June 2018 was admitted as a limited partner in the MEEF Limited Partnership.

In March 2020, the Mayor approved (MD2597) the award of up to £10.7m from the ERDF to Amber Infrastructure Limited, which will be invested through the MEEF.

#### **24. Mayor's Community Infrastructure Levy (MCIL)**

In 2012, the Mayor agreed his MCIL charging schedule to be applied to developments consented on or after 1 April 2012 and was collected by London boroughs once development commences.

The setting of a London-wide Community Infrastructure Levy is a power given to the Mayor under the Planning Act 2008 designed to raise money for the infrastructure needed to develop an area.

The Levy was charged on most developments in London at the following rates, which were subject to annual indexation, in line with the Tender Price Index:

##### **Zone 1 boroughs - £50 per square metre**

Camden, City of London, City of Westminster, Hammersmith and Fulham, Islington, Kensington and Chelsea, Richmond-upon-Thames, Wandsworth

**Zone 2 boroughs - £35 per square metre**

Barnet, Brent, Bromley, Ealing, Greenwich, Hackney, Haringey, Harrow, Hillingdon, Hounslow, Kingston upon Thames, Lambeth, Lewisham, Merton, Redbridge, Southwark, Tower Hamlets

**Zone 3 boroughs - £20 per square metre**

Barking and Dagenham, Bexley, Croydon, Enfield, Havering, Newham, Sutton, Waltham Forest

**Mayor's Community Infrastructure Levy 2 (MCIL2)**

On 1 April 2019, following successfully passing an Examination in Public, MCIL2 replaced MCIL and the Crossrail Section 106 charge on office, retail and hotel development in certain parts of London.

The new MCIL2 charges, which will also be subject to annual indexation, are as follows:

**Zone 1 boroughs - £80 per square metre**

Camden, City of London, City of Westminster, Hammersmith and Fulham, Islington, Kensington and Chelsea, Richmond-upon-Thames, Wandsworth

**Zone 2 boroughs - £60 per square metre**

Barnet, Brent, Bromley, Ealing, Enfield, Hackney, Haringey, Harrow, Hillingdon, Hounslow, Kingston upon Thames, Lambeth, Lewisham, Merton, Redbridge, Southwark, Tower Hamlets, Waltham Forest, London Legacy Development Corporation (LLDC), Old Oak and Park Royal Development Corporation (OPDC)

**Zone 3 boroughs - £25 per square metre**

Barking and Dagenham, Bexley, Croydon, Greenwich, Havering, Newham, Sutton

MCIL2 charging rates for office, retail and hotel in Central London and Isle of Dogs:

Office - £185 per square metre

Retail - £165 per square metre

Hotel - £140 per square metre

Following the agreement of a supplementary funding package, from 2019/20 onwards, MCIL and MCIL2 proceeds are assumed to be used to repay some of the additional borrowing for Crossrail for 10 years.

Although MCIL and MCIL 2 have been used to finance Crossrail, as it is the Mayor's CIL the revenues are those of the GLA and are recognised in the core GLA's accounts as an income item with receipts paid over to TfL even though they are applied by TfL on Crossrail via the Crossrail Sponsor Funding Account.

Mayoral CIL has raised £168.9m in 2019/20 (£134.1m in 2018/19), after allowable collection costs and a provision for non-collection with all money being directed to Crossrail.

## 25. Property, Plant and Equipment

### Group

	2019/20				2018/19			
	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation</b>								
<b>Balances at 1 April</b>	<b>24,001</b>	<b>22,884</b>	<b>55,802</b>	<b>102,687</b>	<b>22,771</b>	<b>17,215</b>	<b>30,715</b>	<b>70,701</b>
Additions	-	3,907	61,340	65,247	309	5,669	25,087	31,065
Revaluation increases/(decreases) recognised in the revaluation reserve	1,411	-	-	1,411	1,045	-	-	1,045
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(324)	-	-	(324)	(124)	-	-	(124)
Derecognition- other	-	(790)	(17)	(807)	-	-	-	-
<b>At 31 March</b>	<b>25,088</b>	<b>26,001</b>	<b>117,125</b>	<b>168,214</b>	<b>24,001</b>	<b>22,884</b>	<b>55,802</b>	<b>102,687</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>Balances at 1 April</b>	<b>(1,252)</b>	<b>(14,521)</b>	<b>-</b>	<b>(15,773)</b>	<b>(521)</b>	<b>(13,043)</b>	<b>-</b>	<b>(13,564)</b>
Depreciation charged to the (Surplus)/Deficit on the Provision of Services	(3,873)	(2,818)	-	(6,691)	(3,167)	(1,478)	-	(4,645)
Depreciation written out to the Revaluation Reserve	2,682	-	-	2,682	2,436	-	-	2,436
Other movements in depreciation and impairment	-	790	-	790	-	-	-	-
<b>At 31 March</b>	<b>(2,443)</b>	<b>(16,549)</b>	<b>-</b>	<b>(18,992)</b>	<b>(1,252)</b>	<b>(14,521)</b>	<b>-</b>	<b>(15,773)</b>
<b>Net Book Value</b>								
<b>At 1 April</b>	<b>22,749</b>	<b>8,363</b>	<b>55,802</b>	<b>86,914</b>	<b>22,250</b>	<b>4,172</b>	<b>30,715</b>	<b>57,137</b>
<b>At 31 March</b>	<b>22,645</b>	<b>9,452</b>	<b>117,125</b>	<b>149,222</b>	<b>22,749</b>	<b>8,363</b>	<b>55,802</b>	<b>86,914</b>

### Revaluations

Valuations were undertaken by registered RICS Valuers external valuers, GL Hearn Ltd. at 31 March 2020 of land and buildings held by the GLA and GLAP. The properties valued at 31 March 2020 are

- GLA - 639 High Road, Tottenham - a community centre facility. It is held at fair value and at 31 March 2020 had a carrying value of £1.3m, for information, if the Authority held this asset at depreciated historical cost, the carrying value would have been £2.9m.
- GLAP - Crystal Palace National Sports Centre - held at fair value and at 31 March 2020 had a carrying value of £21.2m, for information, if GLAP held this asset at depreciated historical cost, the carrying value would have been £5.8m.

Valuations were carried out in accordance with the Practice Statements contained in the RICS Valuation - UK Red Book dated 14th November 2019, by valuers who conform to the requirements thereof.

639 High Road is valued using the investment method of valuation and the key inputs are market rent per sq. ft and expected yield. This valuation is classified as Level 2 in the fair value hierarchy.

Crystal Palace National Sports Centre is valued using the Depreciated Replacement Cost method due to the specialised nature of the property and the limited relevant market evidence. This results in these measurements being classified as Level 3 in the fair value hierarchy.

The Depreciated Replacement Cost method involves assessing all the costs of providing a modern equivalent asset using pricing at the date of valuation. In order to assess the price that the buyer would bid for the actual asset, depreciation adjustments have to be made to the gross replacement cost to reflect the differences between it and the modern equivalent. These differences can reflect factors such as the comparative age or remaining economic life of the actual asset, the comparative running costs and the comparative efficiency and functionality.

Significant unobservable inputs in Level 3 valuation are the average costs per square foot for a modern equivalent of the Crystal Palace National Sports Centre, the athletics stadium and the lodge. The costs were taken from the Building Cost Information Service provided by the Royal Institution of Chartered Surveyors, and the average square footage (sq. ft.) used ranged from £9 to £250 per sq. ft. £35,000 per acre, £50,000 per acre and £100,000 per acre has been attributed to the land for the athletics stadium, sports centre and lodge respectively (reflective of their community use and Conservation Area and Metropolitan Open Land designation within the Local Plan).

## 26. Investment Properties

The following table summarises the movement in the fair value of investment properties over the year:

	Group 2019/20 £000	Restated Group 2018/19 £000
<b>Balance acquired at 1 April</b>	<b>158,976</b>	<b>313,290</b>
<i>Additions:</i>		
Subsequent expenditure	24,521	18,473
Disposals	(29,730)	(73,899)
Net gains/(losses) from fair value adjustments	(19,409)	(98,888)
<b>Balance at 31 March</b>	<b>134,358</b>	<b>158,976</b>

Gains or losses in the fair value of investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

## Revaluations

Valuations were undertaken by external valuers, GL Hearn Ltd. at 31 March 2020.

Valuations were carried out in accordance with the Practice Statements contained in the RICS Valuation - UK Red Book dated 14th November 2019, by valuers who conform to the requirements thereof. The valuations were undertaken by currently registered RICS Valuers.

See Note 1 for more details on the restatement of the group investment property values at 31 March 2019.

See Note 5 for key assumptions in relation to asset valuations and sources of estimation uncertainty.

## Fair value hierarchy

The Group's classification of investment properties in the fair value hierarchy as at 31 March 2020 is as follows:

Recurring fair value measurements using:	Quoted prices in	Other significant	Significant	Fair Value as
	active markets for	observable inputs	unobservable	
	identical assets	Level 2	inputs	
	Level 1		Level 3	at 31 March
	£000	£000	£000	2020
				£000
<b>London Legacy Development Corp.</b>				
Commercial units	19,301	33,280	4,740	57,321
Other assets	555	-	-	555
<b>GLA Land and Property Ltd.</b>				
Commercial units	-	-	76,072	76,072
Residential properties	-	-	410	410
<b>Balance at 31 March 2020</b>	<b>19,856</b>	<b>33,280</b>	<b>81,222</b>	<b>134,358</b>

Recurring fair value measurements using:	Quoted prices in	Other significant	Significant	Restated
	active markets for	observable inputs	unobservable	
	identical assets	Level 2	inputs	
	Level 1		Level 3	at 31 March
	£000	£000	£000	2019
				£000
<b>London Legacy Development Corp.</b>				
Commercial units	39,223	32,375	6,320	77,918
Other assets	4,175	-	-	4,175
<b>GLA Land and Property Ltd.</b>				
Commercial units	-	-	76,473	76,473
Residential properties	-	-	410	410
<b>Balance at 31 March 2019</b>	<b>43,398</b>	<b>32,375</b>	<b>83,203</b>	<b>158,976</b>

This hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value; these include:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

- Level 3 inputs – unobservable inputs for the asset or liability.

### **Transfers between levels of the fair value hierarchy**

There were no transfers between any levels of the fair value hierarchy during the current financial year.

### **Valuation techniques used to determine fair values**

The Group's investment properties are measured using a combination of an income and market comparison approach. Under the income approach, values are determined by means of either the discounted cash flow method, where the expected cash flows from the properties are discounted to establish the present value of the net income stream or the direct capitalisation method where a capitalisation rate is applied, as a multiplier, against the current and, if any, reversionary income streams. The approaches use the Group's own data requiring it to factor in assumptions such as the duration, timing of cash inflows/outflows, rent growth, property location, maintenance costs etc.

### **Highest and best use**

In estimating the fair value of the Group's investment properties, the highest and best use is their current use.



## Quantitative information about Fair Value measurement of Investment Properties

### GLA Land and Property Ltd

2019/20

Input	Range	Weighted Sensitivity Average
Rental income less irrecoverable costs	£19,250 - £334,000	£200,892
Capitalisation rate	5.75% - 8.71%	6.56%

Significant changes in rent growth; vacancy levels or capitalisation rate will result in a significantly lower or higher fair value

2018/19

Input	Range	Weighted Sensitivity Average
Rental income less irrecoverable costs	£20,000 - £334,000	£200,602
Capitalisation rate	4% - 8%	6.34%

Significant changes in rent growth; vacancy levels or capitalisation rate will result in a significantly lower or higher fair value

### Valuation techniques

There has been no change in the valuation techniques used during the year for investment properties.

### 27. Intangible Assets

At 31 March 2020, the Group does not hold a material amount of intangible assets and so this disclosure is not material to the financial statements.

### 28. Heritage Assets

On 1 April 2012 two sculptures were transferred to the GLA from the Homes and Communities Agency (HCA). There is no historical cost data available on these assets and due to their bespoke and unique nature their value cannot be easily obtained using comparisons in the open market.

The Authority further considers that the cost of obtaining an open market valuation outweighs any benefit to the users of the accounts. The asset known as "A Slice of Reality" has been licensed back to the artist who is responsible for its maintenance and general repair with the GLA being responsible for the structure.

The "Quantum Cloud" was last surveyed in January 2017 and some routine maintenance work was undertaken. No major restoration costs were incurred during 2019/20.

## 29. Long term investments

	Authority 31 March 2020 £000	Group 31 March 2020 £000	Authority 31 March 2019 £000	Group 31 March 2019 £000
Loans to joint venture	-	71,251	-	34,706
Loan to Limited Partnership	-	40,287	-	29,067
Infrastructure loans	-	280,602	-	226,209
Loan to subsidiary	1,099	1,099	-	-
Fund investments	12,505	53,208	2,015	33,462
Equity mortgages	-	34,934	-	37,587
Residential Mortgage Backed Securities	232,290	232,290	221,933	221,933
Investment in Limited Partnerships	-	3	-	2
<b>Total</b>	<b>245,894</b>	<b>713,674</b>	<b>223,948</b>	<b>582,965</b>

## 30. Investments in Subsidiaries

All investments in subsidiaries are held at cost in the holding entity's single entity accounts as permitted under the Code.

### Greater London Authority

- **Greater London Authority Holdings Limited (GLAH)** - The Authority holds one £1 share in Greater London Authority Holdings Limited (GLAH). GLAH is registered in England and Wales and is a wholly-owned subsidiary of the Authority. GLAH is a holding company and as such does not undertake any business activity.
- **SMEWFL's** main objective is to bridge the London funding gap for early stage businesses through the provision of loan and equity financing. On 31 October 2017, the Authority became the sole member of SME Wholesale Finance Limited (SMEWFL) thereby gaining full control of this entity. Prior to this date, the Authority held a maximum of 19.9 per cent of the total number of votes exercisable by members in general meeting. SMEWFL is accounted for as a subsidiary in the Authority's group accounts.
- **LCIF** makes equity investments into early stage companies in London's strategic sectors of Science, Digital and Technology, thereby addressing the funding issues faced by such companies. SMEWFL is a member of the London Co-Investment Fund LLP (LCIF), it has 100% economic interest and controls LCIF. The Authority controls LCIF via its control of SMEWFL and has accounted for LCIF as a subsidiary in the Authority's accounts.
- **GLIF** was established in June 2018 and is a wholly owned subsidiary of SMEWFL. The aim is to establish a £100m fund to provide finance to small and medium sized enterprises with funding

provided by the European Regional Development Fund, the European Investment Bank, London Waste and Recycling Board and SMEWFL. The Authority controls GLIF via its control of SMEWFL and has accounted for GLIF as a subsidiary in the Authority's accounts.

### **31. Investments in Subsidiaries – Greater London Authority Holdings Limited (GLAH)**

- **GLA Land and Property Limited (GLAP)** - GLAH holds one £1 share in GLA Land and Property Limited (GLAP). GLAP is registered in England and Wales and is wholly-owned by GLAH. GLAP is fully consolidated into GLAH's group accounts.
- **London Treasury Limited (LTL)** - On 21 August 2018 GLAH acquired London Treasury Limited and is the sole shareholder, at 31 March 2019 GLAH had a £125,000 shareholding in London Treasury Limited. LTL is registered in England and Wales and is wholly-owned by GLAH. On materiality grounds GLAH has not consolidated London Treasury Limited.
- **London Power Co. Limited (LPC)** – on 19 July 2019 GLAH acquired a £1 share in LPC and is the sole shareholder. LPC is registered in England and Wales and is wholly-owned by GLAH. On materiality grounds GLAH has not consolidated LPC.

### **32. Investments in Subsidiaries – London Legacy Development Corporation (LLDC)**

LLDC is a Mayoral Development Corporation controlled by the Authority and is consolidated as a subsidiary in the Authority's accounts.

LLDC prepares group accounts for its subsidiaries **E20 Stadium LLP** and **London Stadium 185 Limited** and as the GLA consolidates LLDC's group accounts, these subsidiaries are also included in the GLA's group accounts.

LLDC is also the sole shareholder in **Stratford East Holdings Limited** which holds a non-controlling share of E20 Stadium LLP. Stratford East Holdings Limited is not consolidated by LLDC on materiality grounds.

- **E20 Stadium LLP** - LLDC and Stratford East Holdings Limited are members of E20 Stadium LLP. The E20 Stadium partnership is the legal entity that holds a 102-year leasehold interest in the Stadium Island site and is responsible for the transformation works and ongoing operations required to deliver a multi-use sporting venue, which is the permanent home of West Ham United Football Club and the national competition centre for UK Athletics.

E20 Stadium LLP is the sole shareholder of London Stadium 185 Limited and consolidates London Stadium 185 into its group accounts.

- **London Stadium 185 Limited** - London Stadium 185 Limited's principal activities are the operation, management and commercial development of the Stadium at Queen Elizabeth Olympic Park. London Stadium 185 Limited is consolidated into E20 Stadium LLP's group accounts which in turn are consolidated into the group accounts of its parent, LLDC.

### 33. Non-current Assets held for sale

At 31 March 2020, the Group did not hold any property, plant or equipment for sale.

### 34. Long-term debtors

Long-term debtors, except for prepayments, are financial instruments and are classified as financial assets at amortised cost. Long-term debtors comprise:

	<b>Authority 31 March 2020 £000</b>	<b>Group 31 March 2020 £000</b>	<b>Authority 31 March 2019 £000</b>	<b>Group 31 March 2019 £000</b>
Loans to third parties for capital purposes	781,630	127,703	762,144	128,624
Rent deposits	317	317	317	317
Other debtors	-	1,051	-	1,012
Prepayments	512	512	337	337
	<b>782,459</b>	<b>129,583</b>	<b>762,798</b>	<b>130,290</b>

## 35. Finance leases

### Group as Lessor - Finance lease receivables

Details of the Group's finance leases as lessor include:

- The London International Exhibition Centre has been granted a 200-year lease ending in 2199 for the ExCel Exhibition Centre land;
- A 95-year lease ending in 2075 with Workspace II Limited for a warehouse, office and secure yard at Quicksilver Place, Wood Green;
- A 99-year lease ending in 2082 with The Drum Group Limited for a plot of land at Charles Street, London E16;
- A 101-year lease ending in 2110 with London City Airport to allow the installation of airport landing lights at Albert Island, London E16; and
- Deferred receipts in relation to various development properties leased on long leases.

Gross investment in the leases at balance sheet date is made up of the following amounts:

	<b>Group 31 March 2020 £000</b>	<b>Group 31 March 2019 £000</b>
<i>Finance lease debtor (net present value of minimum lease payments):</i>		
Current	61,156	16,662
Non-current	80,228	82,019
Unearned finance income	15,526	9,071
<b>Gross investment in the leases</b>	<b>156,910</b>	<b>107,752</b>

The gross investment in the leases will be received over the following periods:

	<b>Group 31 March 2020 £000</b>	<b>Group 31 March 2019 £000</b>
<b>Minimum lease payments</b>		
Not later than one year	61,605	16,912
Later than one year and not later than five years	92,466	87,783
Later than five years	2,839	3,057
	<b>156,910</b>	<b>107,752</b>

	<b>Group 31 March 2020</b>	<b>Group 31 March 2019</b>
	<b>£000</b>	<b>£000</b>
<b>Finance lease debtor</b>		
Not later than one year	61,156	16,662
Later than one year and not later than five years	78,968	80,627
Later than five years	1,260	1,392
	<b>141,384</b>	<b>98,681</b>

### Group as Lessee - Finance lease liabilities

Details of the Group's finance leases as lessee include:

GLA Land and Property Limited

Held as Property, Plant and Equipment:

- The Crystal Palace 125-year lease with the London Borough of Bromley that expires in 2131. The leases cover the National Sports Centre, Capel Manor Farm, a lodge and residential properties.

Held as Inventory:

- A long-term lease of 99 years with Network Rail, expiring in 2069, for the land and railway arches at Stephenson Street (ex-Parcelforce Site) in West Ham providing part of the access to the larger freehold adjoining property belonging to the Group;
- Two long leases (60 and 99 years long) the Group took out with the London Borough of Newham at Thames Wharf as part of the larger property, the leases expire in 2026 and 2070 respectively;
- 20 Newburn Street, Kennington, London - this property is leased from London Housing Quadrant on a 125-year lease ending in 2129. It has subsequently been leased out on peppercorn rental to Riverside Community Development Trust; and
- CEME - this property is leased from Ford Motor Company on a 125-year lease ending in 2126.

Net book value of finance leases:

	<b>Group 31 March 2020</b>	<b>Group 31 March 2019</b>
	<b>£000</b>	<b>£000</b>
Other Land and Buildings	21,180	21,415
Investment Property	25,755	24,190
Development Properties	8,066	11,216
	<b>55,001</b>	<b>56,821</b>

The minimum lease payments are made up of the following amounts:

	Group 31 March 2020 £000	Group 31 March 2019 £000
<i>Finance lease liabilities (net present value of minimum lease payments):</i>		
Current	1	1
Non-current	36	37
Finance costs payable in future years	45	47
<b>Minimum lease payments</b>	<b>82</b>	<b>85</b>

The minimum lease payments will be payable over the following periods:

	Group 31 March 2020 £000	Group 31 March 2019 £000
Not later than one year	3	3
Later than one year and not later than five years	11	11
Later than five years	68	71
	<b>82</b>	<b>85</b>

The finance lease liabilities will be payable over the following periods:

	Group 31 March 2020 £000	Group 31 March 2019 £000
Not later than one year	1	1
Later than one year and not later than five years	5	5
Later than five years	31	32
	<b>37</b>	<b>38</b>

## 36. Capital Expenditure and Financing – Authority

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (“CFR”), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2019/20	2018/19
	£000	£000
<b>Opening Capital Financing Requirement at 1 April</b>	<b>4,242,693</b>	<b>3,800,438</b>
<b>Capital Investment in year</b>		
Property, Plant, Equipment and Intangibles	4,037	3,026
Loans to external organisations for capital purposes	121,920	268,830
REFCUS*-grant payments to external organisations for capital purposes	764,252	765,185
REFCUS- Payment to TfL for Crossrail	989,000	365,000
REFCUS-Payment to TfL for Crossrail (funded by Community Infrastructure Levy)	-	134,056
REFCUS- Payment to TfL for the Northern Line extension	182,582	161,493
REFCUS- Payment to TfL for Elephant & Castle roundabout	369	163
Release of CPO* provision	-	(18)
<b>Sources of Finance</b>		
Government grants and other contributions	(739,857)	(835,178)
Section 106 contributions	(369)	(163)
Community Infrastructure Levy income	-	(134,056)
Capital receipts	(13,644)	(72,393)
<b>Sums set aside from revenue</b>		
Minimum revenue provision - Crossrail	(315,813)	(153,883)
Minimum revenue provision - Northern Line Extension	-	(48,219)
Revenue financing of capital for GLA capital spend	(30,239)	(11,588)
<b>Closing Capital Financing Requirement at 31 March</b>	<b>5,204,931</b>	<b>4,242,693</b>

### Explanation of movements in year

<b>Opening Capital Finance Requirement</b>	<b>4,242,693</b>	<b>3,800,438</b>
Minimum Revenue Provision	(315,813)	(202,102)
Release of the CPO provision & Loan repayment	-	(18)
Increase / (decrease) in underlying need to borrow _ Crossrail	989,000	365,000
Increase / (decrease) in underlying need to borrow _ NLE	182,582	161,493
Increase / (decrease) in underlying need to borrow _ Loans to Third Parties	106,469	117,882
<b>Closing Capital Financing Requirement at 31 March</b>	<b>5,204,931</b>	<b>4,242,693</b>

\*CPO – Compulsory Purchase Order

\* REFCUS – Revenue Expenditure Funded by Capital Under Statute (grants paid to third parties for capital purposes)



### 37. Inventories

Inventories comprise land and buildings held for sale by GLA Land and Property Limited. See Note 5 for key assumptions in relation to asset valuations, and sources of estimation uncertainty.

	Group 31 March 2020 £000	Group 31 March 2019 £000
<b>Balance at 1 April</b>	246,544	258,484
Purchases	2,568	13,531
Recognised as an expense in the year	(3,742)	(2,384)
Write down to net realisable value	(33,666)	(24,533)
Reversals of write-offs in previous years	560	1,446
<b>Balance at 31 March</b>	<b>212,264</b>	<b>246,544</b>

### 38. Debtor

	Authority 31 March 2020 £000	Group 31 March 2020 £000	Authority 31 March 2019 £000	Group 31 March 2019 £000
Central government bodies	18,932	31,265	68,115	77,803
Local Authorities & Functional Bodies	415,024	415,991	570,855	571,853
NHS bodies	20	20	-	-
Public corporations and trading funds	2	401	1	57
Subsidiary/Parent	338,623	857	266,262	7
Other entities and individuals	192,139	256,841	146,155	178,468
<b>Total</b>	<b>964,740</b>	<b>705,375</b>	<b>1,051,388</b>	<b>828,188</b>

### 39. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	Authority 31 March 2020 £000	Group 31 March 2020 £000	Authority 31 March 2019 £000	Group 31 March 2019 £000
Bank current accounts	1,189,059	1,222,451	369,265	435,982
Other deposits	409,079	454,518	572,169	581,704
<b>Total</b>	<b>1,598,138</b>	<b>1,676,969</b>	<b>941,434</b>	<b>1,017,686</b>

#### 40. Creditors and receipts in advance

	Authority 31 March 2020 £000	Group 31 March 2020 £000	Authority 31 March 2019 £000	Group 31 March 2019 £000
Central government bodies	(20,546)	(40,082)	(11,710)	(20,831)
Local Authorities & Functional Bodies	(45,796)	(59,300)	(142,785)	(157,247)
NHS bodies	(421)	(480)	(367)	(6,205)
Public corporations and trading funds	(419)	(419)	(35)	(35)
Other entities and individuals	(247,933)	(322,522)	(300,707)	(380,433)
Subsidiary/Parent	(4,969)	12,308	(8,480)	12,910
Receipts in advance - Revenue	(180,282)	(180,911)	(4,516)	(5,355)
Receipts in advance - Capital	(76,355)	(76,355)	(93,439)	(93,439)
<b>Total</b>	<b>(576,721)</b>	<b>(667,761)</b>	<b>(562,039)</b>	<b>(650,635)</b>

#### 41. Provisions

During the year, the following movements occurred on the Authority and Group's current and non-current provisions:

##### Group

	Outstanding Legal Cases £000	E20 LLP Onerous Contracts £000	Other Provisions £000	NDR* Appeals £000	CPO * £000	Total £000
<b>Balance at 1 April 2019**</b>	-	(201,085)	(1,774)	(280,818)	(895)	(484,572)
Additional provisions made	(911)	(5,519)	-	(62,246)	-	(68,676)
Amounts used	-	6,153	-	89,869	750	96,772
Corrections to opening balance primarily reflecting revised 27% retention share of NDR (was 36% in 2018/19)	-	-	-	65,756	-	65,756
<b>Balance at 31 March 2020</b>	<b>(911)</b>	<b>(200,451)</b>	<b>(1,774)</b>	<b>(187,439)</b>	<b>(145)</b>	<b>(390,720)</b>

\*NDR - Non-domestic rates, CPO – Compulsory Purchase Orders

\*\* The total balance at 1 April 2019 remains unchanged at £484.6m but the split of the opening provision between the E20 LLP Onerous Contracts and Other Provisions has been corrected with an increase of £1.1m to the E20 LLP Onerous Contracts balance and an offsetting decrease to Other Provisions.

#### Greater London Authority

##### Non-domestic rates appeals provision

The NDR appeals provision is the GLA's share of billing authorities estimates of the provision required for potential refunds relating to retrospective alterations to the rating list. The GLA's share of the London wide provision decreased from 36% to 27% as a result of the new business rates retention pilot pool in 2019/20.

The in-year movement in this provision has been analysed between amounts charged to the provision during the year to reflect changes to ratepayers liabilities following alterations to the non-domestic rating list which have previously been provided for (a net reduction of £89.9m) and

additional provisions made during the year which take into account an assessment of future risks of losses in rating income (a net increase of £62.2m). The closing balance on the appeals provision at 31 March 2020 is £187.4m.

## **Group**

**Outstanding Legal Cases (OPDC)** - During the year, OPDC set up a provision for electrical infrastructure upgrade work in Atlas Road. OPDC is challenging a cost variation to the construction and it is likely to have to pay the variation costs at some point in the future. The total amount payable for cost variation is £911k.

**E20 Stadium LLP Onerous Contracts (LLDC)** – Forecasts of the E20 Stadium LLP’s financial outlook, particularly in relation to the cost of hosting West Ham and the cost of moving the relocatable seats between pitch (football) and athletics modes, has required an assessment of whether any of its contracts are now deemed to be onerous (loss-making). An assessment of its main contracts (in line with IAS 37) concluded that two of these are deemed to be onerous. Consequently, E20 Stadium LLP recognised a provision for these losses. The provision was calculated based upon E20 Stadium’s latest forecasts and therefore contains several assumptions and estimates that are subject to change.

As a result of the COVID outbreak, there is a financial upside for E20 Stadium LLP of playing matches behind closed doors and having fewer seat moves. Conversely, the downside is that there is a loss of revenue from ticket sales. Therefore, in the context of the provision right now, this is a relatively small net movement and thus the provision remains the same as in 2018/19 (at £200m), which management is comfortable is reasonable. This will continue to be monitored as the longer-term impact of COVID becomes apparent, improvements on the commercial side are realised and as savings relating to the recent the capital projects (such as seating improvements) are realised.

## **Other Provisions**

**Uncertain tax position provision (GLAP)** - The treatment of certain items, in particular equity mortgages, for corporation tax purposes is uncertain. Although the treatments adopted by considered to be reasonable and defensible they may be disputed by HMRC. In the circumstances, it is considered prudent to make a tax provision of £1.8m for prior years.

**Compulsory Purchase Orders (GLAP)** – The £0.1m provision represents the estimated settlement and legal costs in respect of the last CPO outstanding claim in relation to the purchase of Olympic land. It is estimated the costs will be settled in the next financial year.

## **42. Usable Reserves**

Movements in the Authority’s and Group’s usable reserves are detailed in the Movement in Reserves Statement and Note 9.

### 43. Unusable Reserves

	Authority	Group	Authority	Restated
	31 March	31 March	31 March	31 March
	2020	2020	2019	2019
	£000	£000	£000	£000
Revaluation Reserve	(518)	(32,932)	(353)	(28,839)
Financial Instruments Revaluation Reserve	3,107	3,107	-	-
Capital Adjustment Account	4,389,103	4,769,139	3,510,264	3,896,445
Deferred Capital Receipts Reserve	(299,918)	82	(300,000)	-
Pensions Reserve	136,353	156,971	145,495	167,328
Collection Fund Adjustment Account-Council tax	(16,124)	(16,124)	(29,384)	(29,384)
Collection Fund Adjustment Account-Non Domestic rates	(29,773)	(29,773)	(16,329)	(16,329)
Accumulated Absences Account	1,563	1,809	1,138	1,303
Financial Instruments Adjustment Account	13,903	13,903	15,502	15,502
LCIF Members Equity	-	(4,924)	-	-
Merger Reserves	69,185	(361,410)	69,185	(361,410)
<b>Total Unusable Reserves</b>	<b>4,266,881</b>	<b>4,499,848</b>	<b>3,395,518</b>	<b>3,644,615</b>

#### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Group arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	Authority	Group	Authority	Group
	2019/20	2019/20	2018/19	2018/19
	£000	£000	£000	£000
<b>Balance at 1 April</b>	<b>(353)</b>	<b>(28,839)</b>	<b>(121)</b>	<b>(25,353)</b>
Upward revaluation of assets	(165)	(4,093)	(232)	(3,481)
Deferred tax on revaluation gains	-	-	-	(5)
<b>(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services</b>	<b>(165)</b>	<b>(4,093)</b>	<b>(232)</b>	<b>(3,486)</b>
<b>Balance at 31 March</b>	<b>(518)</b>	<b>(32,932)</b>	<b>(353)</b>	<b>(28,839)</b>

## Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the losses arising from the decrease in value of financial instruments held as fair value through other comprehensive income. The movement in the table below arises solely the residential mortgage backed securities.

	Authority 2019/20 £000
<b>Balance at 1 April</b>	-
Downward revaluation of investments	3,107
<b>(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services</b>	<b>3,107</b>
<b>Balance at 31 March</b>	<b>3,107</b>

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of these assets under statutory provisions. The Account is debited with depreciation, amortisation and revenue spend financed by capital. The Account is credited with the amounts set aside by the Authority and Group as finance for the costs of acquisition, construction and enhancement. Where spend is incurred in advance of financing being received (as is the case with Crossrail expenditure) this results in a deficit balance on the reserve.

	Authority 2019/20 £000	Group 2019/20 £000	Authority 2018/19 £000	Restated Group 2018/19 £000
<b>Balance at 1 April</b>	<b>3,510,264</b>	<b>3,908,272</b>	<b>3,261,508</b>	<b>3,573,577</b>
Adjustment for the restatement of financial instruments	-	-	19,201	19,201
<b>Restated Balance at 1 April 2018</b>	<b>3,510,264</b>	<b>3,908,272</b>	<b>3,280,709</b>	<b>3,592,778</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,198	3,067	1,164	1,543
Revaluation/(Impairment) charged to the Comprehensive Income and Expenditure Account	-	16,651	-	110,572
Amortisation of intangible assets	1,099	1,099	910	910
Revenue expenditure funded from capital under statute	1,936,204	1,925,641	1,425,896	1,418,418
Fair value through profit and loss adjustments	5,210	5,210	(7,525)	(7,525)
Capital receipts received during the year	-	(29,570)	-	(73,921)
Deferred tax liability on revaluation charged to the Comprehensive Income and Expenditure Account	-	413	-	(31,170)
Corporation Tax liability for the year	-	5,329	-	6,581
Release of CPO provision and creditor	-	-	(18)	(18)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	29,570	-	73,921
	<b>1,943,711</b>	<b>1,957,410</b>	<b>1,420,427</b>	<b>1,499,311</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	(13,644)	(13,644)	(72,393)	(72,393)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(38,485)	(38,539)	(521,514)	(521,531)
Application of grants to financing from the Capital Grants Unapplied Account	(701,740)	(733,357)	(447,882)	(452,637)
Statutory provision for the financing of capital investment charged against the General Fund	(315,813)	(315,813)	(202,102)	(202,102)
Capital expenditure charged against the General Fund	(30,240)	(30,240)	(11,588)	(11,588)
Capital grants transferred to capital grants unapplied	20,827	20,827	-	-
Repayment of long term capital debtors	14,223	14,223	64,607	64,607
	<b>(1,064,872)</b>	<b>(1,096,543)</b>	<b>(1,190,872)</b>	<b>(1,195,644)</b>
<b>Balance at 31 March</b>	<b>4,389,103</b>	<b>4,769,139</b>	<b>3,510,264</b>	<b>3,896,445</b>

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Group does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

The balance on this reserve relates to the Authority only and at 31 March 2020 totals £299.9m.

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions, for defined benefit pension schemes. The Authority and Group account for post-employment benefits in the CIES as benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority and Group make employer's contributions to pension funds or eventually pay any pensions for which they are directly responsible. The debit balance on the Pensions Reserve therefore shows the shortfall in the benefits earned by past and current employees and the resources the Authority and Group have set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Authority 2019/20 £000	Group 2019/20 £000	Authority 2018/19 £000	Group 2018/19 £000
<b>Balance at 1 April</b>	<b>145,495</b>	<b>167,380</b>	<b>139,630</b>	<b>158,702</b>
Actuarial (gains) / losses on pension assets and liabilities	(24,682)	(29,059)	(11,193)	(11,710)
Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	21,824	26,337	22,256	26,839
Employer's pensions contributions and direct payments to pensioners payable in the year	(6,284)	(7,687)	(5,198)	(6,503)
<b>Balance at 31 March</b>	<b>136,353</b>	<b>156,971</b>	<b>145,495</b>	<b>167,328</b>

### Collection Fund Adjustment Account – Council Tax

The Collection Fund Adjustment Account (Council Tax) manages the differences arising from the recognition of council tax income in the CIES as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the London Boroughs and City of London Corporation's Collection Funds.

	Authority 2019/20 £000	Authority 2018/19 £000
<b>Balance at 1 April</b>	<b>(29,384)</b>	<b>(39,979)</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	13,260	10,595
<b>Balance at 31 March</b>	<b>(16,124)</b>	<b>(29,384)</b>

### Collection Fund Adjustment Account – Non-Domestic Rates

The Collection Fund Adjustment Account (Non-Domestic Rates) manages the differences arising from the recognition of non-domestic rates income in the CIES as it falls due from non-domestic rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the London Boroughs and City of London Corporation's Collection Fund.

	Authority 2019/20 £000	Authority 2018/19 £000
<b>Balance at 1 April</b>	<b>(16,329)</b>	<b>(72,774)</b>
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	(13,444)	56,445
<b>Balance at 31 March</b>	<b>(29,773)</b>	<b>(16,329)</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	Authority 2019/20 £000	Group 2019/20 £000	Authority 2018/19 £000	Group 2018/19 £000
<b>Balance at 1 April</b>	<b>1,138</b>	<b>1,303</b>	<b>1,075</b>	<b>1,215</b>
Settlement or cancellation of accrual made at the end of the preceding year	(1,138)	(1,268)	(1,075)	(1,198)
Amounts accrued at the end of the current year	1,563	1,774	1,138	1,286
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	425	506	63	88
<b>Balance at 31 March</b>	<b>1,563</b>	<b>1,809</b>	<b>1,138</b>	<b>1,303</b>

### Available for Sale Financial Instruments Reserve

Due to the adoption of IFRS 9 Financial Instruments on 1 April 2018, the balance on this reserve has been transferred to retained earnings as the financial assets to which this reserve relates have been reclassified as fair value through profit and loss. Future increases and decreases in fair value of these assets will be recognised in the income and expenditure account as they arise.

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage the write down of soft loans to fair value. The initial write down is debited to the CIES on recognition of the loan but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the write down is reversed by crediting the effective interest rate on the loan to the General Fund Balance over the life of the loan.

	Authority 2019/20 £000	Authority 2018/19 £000
<b>Balance at 1 April</b>	<b>15,502</b>	<b>18,266</b>
Write down of soft loans to fair value charged to the Comprehensive Income and Expenditure Statement	1,095	3,162
Effective interest rate on soft loans credited to the Comprehensive Income and Expenditure Statement	(2,694)	(5,926)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,599)	(2,764)
<b>Balance at 31 March</b>	<b>13,903</b>	<b>15,502</b>

### Merger Reserve

The merger reserve arose as a result of the transfer of the net assets of London Development Agency, Homes and Communities Agency London and London Thames Gateway Development Corporation to the Authority on 1 April 2012.

	Authority 2019/20 £000	Group 2019/20 £000	Authority 2018/19 £000	Group 2018/19 £000
Balance at 1 April	69,185	(361,410)	69,185	(374,161)
Movement in year	-	-	-	12,751
<b>Balance at 31 March</b>	<b>69,185</b>	<b>(361,410)</b>	<b>69,185</b>	<b>(361,410)</b>



#### 44. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements

	Authority 2019/20 £000	Group 2019/20 £000	Authority 2018/19 £000	Restated Group 2018/19 £000
Depreciation of property, plant and equipment , amortisation of intangibles	2,297	8,329	2,073	5,801
Impairment of FVTPL assets	-	(22)	-	-
Impairment of loan investments	305	305	-	-
Carrying amount of non-current assets held for sale sold or derecognised	-	29,570	-	73,899
Net gain or loss on non-current assets disposal	-	-	-	-
Change in fair value on FVTPL assets	5,002	(2,153)	-	1,043
Change in fair value of investment property	-	19,409	-	98,888
Reversal in fair value through profit and loss movements	-	-	(7,525)	(7,253)
Reversal of net charges for post employment benefits	21,824	27,268	22,256	26,211
Cash payments for employer's contributions to pension funds and direct payments to pensioners	(6,284)	(7,435)	(5,198)	(5,875)
Reversal of accrued surplus/(deficit) on Collection Fund -Council Tax	(8,884)	(8,884)	(13,344)	(13,344)
Reversal of accrued surplus/(deficit) on Collection Fund -NDR	(37,911)	(37,911)	(17,370)	(17,370)
Collection Fund (surplus)/deficit received/paid as per regulation -Council Tax	22,144	22,144	23,939	23,939
Collection Fund surplus/(deficit) received/paid as per regulation-NDR	24,467	24,467	73,814	73,814
Reversal of write down to fair value of soft loans	1,095	1,095	3,414	3,414
Write down of loan interest to fair value	-	-	-	(679)
Increase/ (decrease) in creditors	43,837	77,090	(383,947)	(349,940)
(Increase)/decrease in debtors	10,709	(28,613)	(96,884)	(96,920)
Increase/(decrease) in impairment provision for bad debts	301	234	78	53
(Increase)/ decrease in stock	-	34,280	-	11,940
Increase/ (decrease) in provisions	-	4,768	-	(3,223)
Tax expense	-	(2,204)	-	(2,961)
(Increase)/decrease in interest receivable	(3,589)	(9,883)	(16,536)	(18,263)
Increase/(decrease) in finance lease receivables	-	(42,703)	-	43,204
Increase/(decrease) in interest payable	(11,315)	(5,292)	(2,452)	(971)
Other non cash movements	3,816	4,624	5,020	6,076
Increase/ (decrease) in deferred tax liability	-	(18,106)	-	(30,072)
	<b>67,814</b>	<b>90,377</b>	<b>(412,662)</b>	<b>(178,589)</b>

#### 45. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services investing and financing activities

	Authority 2019/20 £000	Group 2019/20 £000	Authority 2018/19 £000	Group 2018/19 £000
(Gain)/loss on financial instruments held at FVTPL	-	282	-	375
(Gain)/loss on sale of investment property	-	(340)	-	-
Reversal of capital grants recognised in the income and expenditure statement	(1,784,955)	(1,816,572)	(1,174,460)	(1,179,774)
Other investing or financing cash flows	-	(291)	-	(55)
	<b>(1,784,955)</b>	<b>(1,816,921)</b>	<b>(1,174,460)</b>	<b>(1,179,454)</b>

#### The cash flows for operating activities include the following items

	Authority 2019/20 £000	Group 2019/20 £000	Authority 2018/19 £000	Group 2018/19 £000
Interest paid	(165,625)	(175,924)	(142,462)	(142,462)
Interest received	64,154	58,231	50,515	42,371
Taxation paid	-	(2,165)	-	(3,055)

## 46. Cash Flow Statement – Investing Activities

	Authority 2019/20 £000	Group 2019/20 £000	Authority 2018/19 £000	Group 2018/19 £000
Purchase of property, plant and equipment, investment property and intangible assets	(4,037)	(91,938)	(3,025)	(55,476)
Purchase of short-term and long-term investments	(5,319,638)	(5,447,056)	(11,841,497)	(12,006,302)
Other movements on investing activities	-	(84)	-	10,437
Proceeds from the sale of property, plant and equipment, investment property, intangible assets and assets held for sale	-	500	-	-
Capital grants received	1,806,354	1,837,971	1,174,460	1,184,797
Proceeds from short-term and long-term investments	4,753,669	4,780,995	11,443,891	11,444,046
Proceeds from the sale of financial instruments held at FVTPL	-	2,700	-	3,295
<b>Net cash flows from investing activities</b>	<b>1,236,348</b>	<b>1,083,088</b>	<b>773,829</b>	<b>580,797</b>

## 47. Cash Flow Statement – Financing Activities

	Authority 2019/20 £000	Group 2019/20 £000	Authority 2018/19 £000	Group 2018/19 £000
Cash receipts of short and long-term borrowing	1,239,418	1,388,573	896,016	1,034,750
Other receipts from financing activities	-	19,751	-	(259)
Repayments of short and long-term borrowing	(329,409)	(355,791)	(402,089)	(402,089)
Other receipts/(payments) for financing activities	687	689	1,583	1,583
<b>Net cash flows from financing activities</b>	<b>910,696</b>	<b>1,053,222</b>	<b>495,510</b>	<b>633,985</b>

## 47a. Reconciliation of Liabilities arising from Financing Activities

	Authority 1 April 2019 £000	Authority Financing Cashflows £000	Authority Non-financing cash Movements £000	Authority 31 March 2020 £000	Authority 31 March 2018 £000	Authority Financing Cashflows £000	Authority Non-financing cash Movements £000	Authority 31 March 2019 £000
Long Term and Short Term Borrowings	(4,556,100)	(910,009)	7,500	(5,458,609)	(4,059,605)	(493,927)	(2,568)	(4,556,100)
Finance Lease Liabilities	-	-	-	-	-	-	-	-
<b>Total Liabilities from Financing Activities</b>	<b>(4,556,100)</b>	<b>(910,009)</b>	<b>7,500</b>	<b>(5,458,609)</b>	<b>(4,059,605)</b>	<b>(493,927)</b>	<b>(2,568)</b>	<b>(4,556,100)</b>

	Group 1 April 2019 £000	Group Financing Cashflows £000	Group Non-financing cash Movements £000	Group 31 March 2020 £000	Group 31 March 2018 £000	Group Financing Cashflows £000	Group Non-financing cash Movements £000	Group 31 March 2019 £000
Long Term and Short Term Borrowings	(4,522,397)	(954,762)	13,450	(5,463,709)	(4,032,979)	(491,816)	2,398	(4,522,397)
Finance Lease Liabilities	(38)	1	-	(37)	(39)	1	-	(38)
<b>Total Liabilities from Financing Activities</b>	<b>(4,522,435)</b>	<b>(954,761)</b>	<b>13,450</b>	<b>(5,463,746)</b>	<b>(4,033,018)</b>	<b>(491,815)</b>	<b>2,398</b>	<b>(4,522,435)</b>

## 48. Related Parties

IAS 24 (Related Party transactions) requires the Authority to disclose any material transactions with related parties, that is, bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to limit another party's ability to bargain freely with the Authority.

Transactions which have been disclosed elsewhere in these financial statements will not be included in this note.

## Central Government

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates. It provides significant funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax, Business Rates). Grants received from Government Departments are set out in the Grants note.

## Transactions with public bodies

During the year amounts payable to related parties totaled:

	<b><u>£000</u></b>
Local Government	232,633
Public Corporations	1,768
Hospitals	378

For amounts owed by the Authority to related parties, see Creditors, note 40.

During the year amounts receivable from related parties totaled:

	<b><u>£000</u></b>
Central Government	38,323
Local Government	5,064

For amounts owed to the Authority by related parties, see Debtors note 38.

Grants receivable by the Group are disclosed in the Comprehensive Income and Expenditure Account and the Grant Income, note 16.

## Transactions with subsidiaries

### Greater London Authority Holdings Limited (GLAH)

GLAH is a wholly-owned subsidiary of the Greater London Authority. The Authority holds a £1 share in GLAH. GLAH, in turn, is the parent of GLA Land and Property Limited (“GLAP”), GLAP is a wholly-owned subsidiary of GLAH. The Authority has prepared group accounts which consolidate the group accounts of Greater London Authority Holdings Limited.

- In 2019/20 the GLA charged GLAP £6.6m for staff, accommodation and other overhead costs (£5.6m in 2018/19);
- At 31 March 2020 there was £579m outstanding on the loans the GLA made to the GLAP. In 2019/20 GLAP paid £19.4m interest to the GLA;
- At 31 March 2020, the Company had £7.3m invested with the GLA.

### **London Treasury Ltd (LTL)**

LTL was acquired by the GLAH in August 2018 and operates under the Financial Services and Markets Act 2000 authorisation and provides treasury management services to the GLA, its functional bodies (except TfL).

In 2019/20 the GLA paid £ 367k to LTL;

At 31 March 2020, LTL's net assets totalled £180k.

### **London TravelWatch (LTW)**

London TravelWatch is a body corporate (under its statutory title of the London Transport Users Committee). It acts as an independent passenger watchdog, reviewing London's transport services, conducting research into London's Transport and acting as an appeals body for passenger complaints. LTW reports to and is funded by the London Assembly. The Board of LTW comprises a Chair and 12 members, all of whom are appointed by the London Assembly. They are supported by around 26 staff. Its legal status is set out in the Greater London Authority Act 1999 as amended by the Railways Act 2005.

The London Assembly has the power to issue guidance and direction to London TravelWatch subject to explaining why any such action is proposed. The London Assembly also approves LTW's budget and requires that its accounts and business plan be submitted to the GLA.

On the grounds of materiality, London TravelWatch is no longer consolidated as a subsidiary of the Authority in the consolidated financial statements. In 2019/20 the Authority provided LTW with funding of £1.2m (£1.0m - 2018/19).

### **London Legacy Development Corporation**

LLDC is a mayoral development corporation, created using powers given to the Mayor of London in the Localism Act 2011, and its purpose is to manage the ongoing regeneration and development of the Olympic Park and surrounding areas of east London. The LLDC was created on 9 March 2012 and, on 1 April 2012, the property, assets, liabilities, and staff of the Olympic Park Legacy Corporation transferred to the LLDC.

The LLDC has been accounted for as a subsidiary of the Authority in the consolidated financial statements.

In 2019/20 the Authority paid LLDC revenue grant totalling £47.2m (£51.6m - 2018/19); bringing the total loan balance to £354.9m at 31 March 2020 (£319.6m - at 31 March 2019). Interest receivable on the loan totalled £10.3m (£10.9m - 2018/19).

The Hackney Wick loan balance stands at £2m at 31 March 2020 (£2.5m at 31 March 2019).

### **E20 Stadiums LLP**

E20 Stadiums LLP is a wholly owned subsidiary of LLDC. The Mayor obtained full control in December 2017 after the agreed retirement of NLI from the E20 Stadium partnership. There have been no related party transactions during the year.

### **Old Oak and Park Royal Development Corporation (OPDC)**

OPDC is a mayoral development corporation established under the powers of the Localism Act 2011. The OPDC has planning powers and regeneration responsibility within its boundaries. The corporation is responsible for the regeneration of Old Oak Common in West London. The organisation was created on the 1<sup>st</sup> April 2015.

During 2019/20 the GLA provided grant funding of £8.9m (£7.7m in 2018/19).

### **London 2017 Limited**

London 2017 Limited was set up jointly by the GLA and UK Athletics (UKA) with the purpose of organising and staging the IAAF World Championship in London in 2017. The Mayor appointed a Co-chair and one other Director to the company's board.

The company is in liquidation as all the activities in relation to the championship have now ended.

### **London Power Co. Ltd (LPC)**

London Power Co. Limited is a private company limited by shares. It was incorporated on 19 July 2019, issued one £1 share and Greater London Authority Holdings Limited (GLAH) is the sole shareholder. LPC has contracted the services of energy supplier Octopus Energy Limited to provide gas and electricity to Londoners.

LPC has not been consolidated into GLA's group accounts on materiality grounds.

In 2019/20, the Authority made a long term loan advance of £1.1m to LPC, and recharged services of £45k for the period Jan to March 2020.

### **Other Parties**

#### **MedCity Ltd.**

The Deputy Mayor for Business is an observer on MedCity's founders committee and advisory board.

- During 2019/20, the GLA provided grant funding of £0.2m to MedCity (£0.3m in 2018/19)

#### **Public Practice**

The Deputy Mayor for Planning, Regeneration, and Skills is a director of Public Practice.

- During 2019/20, the GLA provided grant funding of £63k to Public Practice, of which £45k is a grant payment, (£74k in 2018/19)

#### **Future of London 2011 Ltd.**

The Executive Director Housing and Land is a director of Future of London 2011.

- During 2019/20, the GLA paid of £52k to Future of London, for Sponsorship of Council led housing forum, membership fees, course fees & presentational skills workshops (47k in 2018/19).

## 49. Interests in Other Organisations

### Museum of London

From 1 April 2008, the Authority assumed the role of co-sponsor (along with the Corporation of London) of the Museum of London and has the right to appoint half of the Museum's Board.

The Authority has also committed to contribute to funding of the relocation of the Museum of London from its current London Wall site to a new site at Smithfield General Market.

- In 2019/20, the GLA provided £7.9m funding (£8.6m – 2018/19) to the Museum of London.

### London & Partners

London & Partners was incorporated on 14 January 2011 as a Group limited by guarantee. It commenced operations on 1 April 2011. London & Partners is a commercially-driven organisation, championing London as the best big city on earth. It will generate economic benefits for the capital and maintain London's leading position by attracting and generating spend from visitors and overseas students; attracting, accelerating and expanding foreign direct investment in London; and leveraging private sector investment and expertise.

The Mayor is the founding member of London & Partners. Under the articles of association, the Mayor retains the power to appoint the chair and one other non-executive director to the board.

During the financial year 2019/20, the GLA made payments of £13.6m (£13.7m – 2018/19) to London & Partners.

### London Waste and Recycling Board

The London Waste and Recycling Board was established by the Greater London Authority Act 2007 to promote and encourage the production of less waste, an increase in the proportion of waste that is re-used or recycled and the use of methods of collection, treatment and disposal of waste which are more beneficial to the environment in London. Shirley Rodrigues, Deputy Mayor for Environment and Energy, is the Mayor's appointed representative.

In 2019/20 the Authority did not make any payments or grant funding to LWARB.

### **Royal Docks Management Authority Limited**

The Royal Docks Management Authority Limited (RoDMA), established in 1990, holds a 225-year lease of the water areas and associated marine infrastructure of the Royal Docks and is responsible for their control and management.

At 31 March 2020 GLA Land and Property Ltd holds 96.4% of the RoDMA shares and 38.98% of the voting rights. The Department for Environment Food and Rural Affairs holds a special share which gives it control over key decisions; GLA Land and Property Ltd therefore has significant influence but does not control RoDMA. RoDMA is held as an associate in the GLA Land and Property Ltd's accounts but, as it was acquired at nil cost, there is no carrying value.

During 2019/20, £0.5m was payable to RoDMA for service charges and insurance.

### **Greenwich Peninsula Estate Management Limited**

Greenwich Peninsula Estate Management Limited was established to manage, maintain and administer the Greenwich Peninsula estate. GLA Land and Property Ltd. appoints one out of seven directors.

There were no transactions between the Group and Greenwich Peninsula Estate Management Limited in the year ended 31 March 2020.

### **Real Lettings Property Fund 2 LP (RLPF2)**

RLPF2 was registered as a limited partnership in December 2016 and the fund was launched in January 2017 with LB Croydon, LB Lambeth and LB Westminster joining as limited partners. The target size for the RLPF2 is over £100m up to a maximum of £200m by January 2019. A fund of £100m should allow the purchase, refurbishment, letting and management of around 330 affordable homes.

On 26 March 2018, GLA Land and Property became a limited partner and at 31 March 2020 GLAP had made a capital contribution of £1.9k and an interest free loan of £18.4m.

### **Barking Riverside Limited**

Barking Riverside Limited is a joint venture between London & Quadrant New Homes Limited and GLA Land and Property Limited.

The joint venture company is leading on the delivery of the new Barking Riverside neighbourhood. The site is being remediated and site wide infrastructure developed to allow the release of plots for residential and commercial development.

GLAP holds 49% of the share capital and 50% of the voting rights. The Executive Director of Housing and Land at the Greater London Authority, the Deputy Mayor, Housing and Residential Development and a Senior Area Manager from the GLA's Housing and Land directorate are three of the six directors of Barking Riverside Limited.

On 1 April 2012, loan investments advanced by the Homes and Communities Agency transferred to GLAP and at 31 March 2020, loan advances plus rolled-up interest totalled £35.6m.

- In year, £0.7m interest receivable was rolled-up and added to the loan principal on the loan investment, and
- A loan facility of £48m was approved to part-fund rail infrastructure at the Barking Riverside development site; at 31 March 2020 £35.6m has been advanced.

The Authority received £34k in secondment fees from Barking Riverside Ltd., during the current financial year.

## **50. Financial Instruments**

Financial instruments are contracts that give rise to a financial asset in one entity and a financial liability or equity in another. The figures on the balance sheet are adjusted to exclude balances that are not financial instruments, this includes, inter alia, statutory debtors and creditors, prepayments and receipts in advance.

### **50a. Group Categories of Financial Instruments**

The following categories of financial instruments are carried in the Balance Sheet:



Long-Term	Authority 31 March 2020 £000	Group 31 March 2020 £000	Authority 31 March 2019 £000	Group 31 March 2019 £000
<b>Investments-Long term</b>				
Financial assets at amortised costs	1,099	352,953	-	260,914
Financial assets at FVOCI	232,290	232,290	221,933	221,933
Financial assets at FVTPL	12,505	128,430	2,015	100,117
<b>Total investments</b>	<b>245,894</b>	<b>713,673</b>	<b>223,948</b>	<b>582,964</b>
<b>Debtors-Long Term</b>				
Financial assets at amortised costs	392,340	(260,536)	723,265	90,903
Financial assets at FVTPL	389,607	389,607	39,197	39,197
Finance lease receivables	-	80,228	-	82,019
<b>Total Debtors</b>	<b>781,947</b>	<b>209,299</b>	<b>762,462</b>	<b>212,119</b>
<b>Borrowings-Long term</b>				
Financial liabilities at amortised costs	(5,305,229)	(5,310,829)	(4,314,642)	(4,314,641)
<b>Total borrowings</b>	<b>(5,305,229)</b>	<b>(5,310,829)</b>	<b>(4,314,642)</b>	<b>(4,314,641)</b>
<b>Creditors and Other Long Term Liabilities -Long term</b>				
Financial liabilities at amortised costs	(2,079)	(58,403)	(47)	(195,156)
Finance lease liabilities	-	(36)	-	(37)
<b>Total creditors</b>	<b>(2,079)</b>	<b>(58,439)</b>	<b>(47)</b>	<b>(195,193)</b>
<b>Current</b>				
	Authority 31 March 2020 £000	Group 31 March 2020 £000	Authority 31 March 2019 £000	Group 31 March 2019 £000
<b>Investments</b>				
Financial assets at amortised costs	2,035,622	2,046,089	1,586,359	1,586,936
<b>Total investments</b>	<b>2,035,622</b>	<b>2,046,089</b>	<b>1,586,359</b>	<b>1,586,936</b>
<b>Debtors</b>				
Financial assets at amortised costs	410,179	103,004	342,883	90,482
Finance lease receivables	-	61,156	-	16,662
<b>Total Debtors</b>	<b>410,179</b>	<b>164,160</b>	<b>342,883</b>	<b>107,144</b>
<b>Cash and cash equivalents</b>	<b>1,598,138</b>	<b>1,676,969</b>	<b>941,433</b>	<b>1,017,685</b>
<b>Borrowings</b>				
Financial liabilities at amortised costs	(153,380)	(152,880)	(241,458)	(207,755)
<b>Total borrowings</b>	<b>(153,380)</b>	<b>(152,880)</b>	<b>(241,458)</b>	<b>(207,755)</b>
<b>Creditors</b>				
Financial liabilities at amortised costs	(89,147)	(108,730)	(98,667)	(125,863)
Finance lease liabilities	-	(1)	-	(1)
<b>Total creditors</b>	<b>(89,147)</b>	<b>(108,731)</b>	<b>(98,667)</b>	<b>(125,864)</b>

## 50b. Material soft loans made by the Authority

The Authority has made the following significant soft loans to support the provision of housing development and related infrastructure.

- Network Homes -£21.0m
- LB Ealing - £3.9m
- Big Issue - £6.8m
- LB Barking and Dagenham -£6.0m
- LLDC - £2.0m

- LB Kingston - £26.6m
- LB Lambeth - £10.0m

	Authority 31 March 2020 £000	Authority 31 March 2019 £000
<b>Opening balance at 1 April</b>	<b>57,504</b>	<b>72,464</b>
Nominal value of new loans granted in year	9,588	11,760
Loan reclassified to FVTPL	-	(15,296)
Fair value adjustment on initial recognition	(1,095)	(3,423)
Loans repaid	(6,500)	(2,000)
Increase in discounted amount	2,694	2,208
Other changes	(210)	(8,209)
<b>Closing balance at 31 March</b>	<b>61,981</b>	<b>57,504</b>
<b>Nominal value at 31 March</b>	<b>76,305</b>	<b>73,217</b>

### Valuation Assumptions

The interest rate used to discount the soft loans is the Authority's cost of borrowing when the loan was advanced plus a margin to reflect the credit risk.

### 50c. Group Income, Expense, Gains and Losses

	2019/20 £000				
	Financial Liabilities measured at amortised costs	Financial Assets at amortised cost	Financial Assets at FVOCI	Financial Assets at FVTPL	Total
Interest expense	154,361	-	-	-	154,361
Finance lease interest	2	-	-	-	2
(Gains)/Losses on initial recognition	-	1,095	-	-	1,095
Expected and actual credit losses/(reversals)	-	974	-	(22)	952
Fee expense	674	-	121	700	1,495
<b>Total expense in (Surplus) or Deficit on the Provision of Services</b>	<b>155,037</b>	<b>2,069</b>	<b>121</b>	<b>678</b>	<b>157,905</b>
Interest income	-	(40,163)	(3,553)	(1,233)	(44,949)
Finance lease interest	-	(3,126)	-	-	(3,126)
(Increase)/Decrease in fair value	-	-	-	(1,348)	(1,348)
Unwind of discount on loan	-	(437)	-	(2,694)	(3,131)
(Gains)/losses on derecognition	-	-	-	(71)	(71)
Income distribution from LP	-	-	-	(465)	(465)
<b>Total income in (Surplus) or Deficit on the Provision of Services</b>	<b>-</b>	<b>(43,726)</b>	<b>(3,553)</b>	<b>(5,811)</b>	<b>(53,090)</b>
<b>Net (gain)/loss for the year</b>	<b>155,037</b>	<b>(41,657)</b>	<b>(3,432)</b>	<b>(5,133)</b>	<b>104,815</b>

	2018/ 19				Total
	Financial Liabilities measured at amortised costs	Financial Assets at amortised cost	Financial Assets at FVOCI	Financial Assets at FVTPL	
	£000				
Interest expense	139,104	-	-	-	139,104
Finance lease interest	2	-	-	-	2
(Gains)/ Losses on initial recognition	-	3,162	-	1,970	5,132
Reduction in fair value	-	-	-	72	72
Impairment losses/ (reversals)	-	(6)	-	-	(6)
Fee expense	136	-	221	1,188	1,545
<b>Total expense in (Surplus) or Deficit on the Provision of Services</b>	<b>139,242</b>	<b>3,156</b>	<b>221</b>	<b>3,230</b>	<b>145,849</b>
Interest income	407	(25,861)	(3,488)	(912)	(29,854)
Finance lease interest	-	(4,446)	-	-	(4,446)
(Increase)/ Decrease in fair value	615	(38)	-	(7,948)	(7,371)
Unwind of discount on loan	-	(425)	-	(6,259)	(6,684)
(Gains)/ losses on derecognition	-	-	-	375	375
<b>Total income in (Surplus) or Deficit on the Provision of Services</b>	<b>1,022</b>	<b>(30,770)</b>	<b>(3,488)</b>	<b>(14,744)</b>	<b>(47,980)</b>
<b>Net (gain)/ loss for the year</b>	<b>140,264</b>	<b>(27,614)</b>	<b>(3,267)</b>	<b>(11,514)</b>	<b>97,869</b>

## 50d. Authority Income, Expense, Gains and Losses

2019/20

	Financial Liabilities measured at amortised cost	Financial Assets at amortised cost	Financial Assets at FVOCI	Financial Assets at FVTPL	Total
	£000	£000	£000	£000	£000
Interest expense	154,310	-	-	-	154,310
Losses on initial recognition	-	1,095	-	-	1,095
Reduction in fair value	-	-	-	-	-
Impairment losses	-	606	-	-	606
Fee expense	674	-	121	700	1,495
<b>Total expense in (Surplus) or Deficit on the Provision of Services</b>	<b>154,984</b>	<b>1,701</b>	<b>121</b>	<b>700</b>	<b>157,506</b>
Interest income	-	(58,074)	(3,553)	(1,151)	(62,778)
(Gains)/losses on derecognition	-	-	-	-	-
(Increase)/decrease in fair value	-	-	-	5,002	5,002
Unwind of discount on loan	-	-	-	(2,694)	(2,694)
Gains on derecognition	-	-	-	(353)	(353)
<b>Total income in (Surplus) or Deficit on the Provision of Services</b>	<b>-</b>	<b>(58,074)</b>	<b>(3,553)</b>	<b>804</b>	<b>(60,823)</b>
<b>Net (gain)/loss for the year</b>	<b>154,984</b>	<b>(56,373)</b>	<b>(3,432)</b>	<b>1,504</b>	<b>96,683</b>

	Financial Liabilities measured at amortised cost £000	Financial Assets at amortised cost £000	Financial Assets at FVOCI £000	Financial Assets at FVTPL £000	Total £000
Interest expense	139,104	-	-	-	139,104
Losses on initial recognition	-	3,162	-	-	3,162
Impairment losses	-	82	-	-	82
Fee expense	136	-	221	1,018	1,375
<b>Total expense in (Surplus) or Deficit on the Provision of Services</b>	<b>139,240</b>	<b>3,244</b>	<b>221</b>	<b>1,018</b>	<b>143,724</b>
Interest income	-	(46,182)	(3,488)	(818)	(50,488)
(Increase)/decrease in fair value	-	-	-	(7,525)	(7,525)
Unwind of discount on loan	-	-	-	(5,926)	(5,926)
<b>Total income in (Surplus) or Deficit on the Provision of Services</b>	<b>-</b>	<b>(46,182)</b>	<b>(3,488)</b>	<b>(14,269)</b>	<b>(63,939)</b>
<b>Net (gain)/loss for the year</b>	<b>139,240</b>	<b>(42,938)</b>	<b>(3,267)</b>	<b>(13,250)</b>	<b>79,785</b>

## 50e. Fair Value Hierarchy for financial assets and liabilities measured at fair value

### Financial assets and liabilities measured at fair value

Equity Mortgages are carried at fair value and gains and loss are recognised in the income and expenditure account as they arise. They are valued with reference to published house price indices – the Land Registry house price index for the London region - these are Level 2 fair value measurements (see accounting policy xvii for an explanation of the fair value levels). They are long term investments which are classified as Fair Value through Profit and Loss (see Note 50a) and at 31 March 2020 totalled £34.9m.

Residential Mortgage Backed Securities (RMBS) investments fall under the ‘Mixed’ model, meaning that the classification will be Fair Value through Other Comprehensive Income (FVOCI), this is because of the securities’ nature of ‘holding to collect cash flow’ and the occasional sale of securities as deemed fit by Investment managers. Due to market sentiment surrounding the impact of Covid-19, credit spreads have widened for a variety of financial instruments including RMBS. For existing holdings, this means that the market value has temporarily decreased. The fair value reported reflects an unrealised, expected loss of £3.107m (-1.32%) versus the price paid for the RMBS, were the GLA to have sold those securities at the balance sheet date. The GLA does not believe there is any material change in the underlying risk of the investments and has no intention of disposing of the assets before they mature. Since inception, the GLA’s RMBS portfolio has delivered £11.13m of realised cash returns, representing £4.34m in excess of what would have been achieved through the GIS. Even in the event of much greater stress, the structural protections that these RMBS bonds offer should easily protect against negative financial consequences, therefore no defaults are anticipated. At 31 March 2020, the RMBS carrying value is £232.3m (nominal value is £235.4m).

The Fund Investment in Beechbrook falls under the ‘Strategic Investment’ model and classification would be Fair Value through Profit/Loss (FVTPL). The carrying value of £9.7m has a fair value

movement increase of £0.4m (4%) as at year-end, i.e. a Net Asset Value (NAV) of £10.1m. However, this increase is not significant enough to warrant restatement of the £9.7m carrying value as at 31 March 2020. Also, this estimate does not account for any impact that COVID-19 may have on the investment, it is based on Dec-19 NAV plus any cashflows that occurred between then and 31 March 2020.

Another fund investment falling under the same 'Strategic Investment' model, British Strategic Investment Fund (BSIF), is classified as Fair Value through Profit/Loss (FVTPL). The carrying value is £2.8m and it has a fair value decrease of £0.09m (-3%), i.e. a Net Asset Value (NAV) of £2.7m, which is not significant enough to warrant a restatement of the £2.8m carrying value as at 31 March 2020.

#### **Transfers between levels in the Fair Value hierarchy for assets measured at fair value**

There were no transfers out of level 2 during the year.

#### **50f. Fair Value Hierarchy for financial assets and liabilities not measured at fair value**

The fair value disclosures for financial assets and liabilities not measured at fair value are calculated using Level 2 inputs

#### **Financial assets and liabilities measured at amortised costs**

Except for the financial assets carried at fair value (described in note 50e) all other financial liabilities and financial assets are classified as amortised cost and creditors and are carried in the Balance Sheet at amortised cost.

Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For long-term Public Works Loans Board ("PWLB") borrowings – the fair value for PWLB Borrowings in note 50g is based on the PWLB new borrowing rate; for long term bonds, market data relating to the relevant bonds are used to determine the fair value of this loan; interest rates at 31 March 2020 used for discounting, ranged from 1.96% to 4.62%;
- Where borrowing or investments will mature within 12 months, carrying amount is assumed to approximate to fair value;
- Where borrowing or investments attract interest at a variable rate related to an underlying market measure (such as base rate) and the next rate reset will occur within 12 months, the carrying amount is again assumed to approximate to fair value;
- The fair value of trade and other debtors and creditors due within 12 months is taken to be the invoiced or billed amount.

## 50g. Fair Value for financial assets and liabilities

	Authority 31 March 2020 Carrying value £000	Authority 31 March 2020 Fair Value £000	Group 31 March 2020 Carrying value £000	Group 31 March 2020 Fair Value £000
Borrowing - non-current and current	(5,458,609)	(5,913,508)	(5,463,709)	(5,918,608)
Investments - non-current and current at amortised cost	2,036,721	2,036,721	2,396,175	2,396,175
Financial assets at fair value through other comprehensive income	232,290	232,290	232,290	232,290
Financial assets at fair value through profit and loss	12,505	12,505	131,297	131,297

	Authority 31 March 2019 Carrying value £000	Authority 31 March 2019 Fair Value £000	Group 31 March 2019 Carrying value £000	Group 31 March 2019 Fair Value £000
Borrowing - non-current and current	(4,556,100)	(5,090,462)	(4,522,396)	(5,056,758)
Investments - non-current and current at amortised cost	1,586,359	1,586,359	1,894,337	1,894,337
Financial assets at fair value through other comprehensive income	221,933	221,414	221,933	221,414
Financial assets at fair value through profit and loss	2,015	2,031	53,630	53,646

The fair value of loans is higher than the carrying value because the Authority and Group's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

Investments consist of money market instruments maturing within 12 months, they are held at cost and fair value has not been calculated because the carrying amount is a reasonable approximation of the fair value. The financial assets at fair value consist of residential mortgage backed securities, fund investments and long-term equity mortgages.

### Nature and Extent of Risks arising from Financial Instruments

The Authority and Group's activities expose them to a variety of financial risks including:

- credit risk - the possibility that other parties might fail to pay amounts due to the Authority/Group, this risk is heightened at 31 March 2020 given the current economic uncertainty arising from the COVID-19 pandemic;
- liquidity risk - the possibility that the Authority/Group may not have the funds available to meet its commitments to make payments;
- market risk - the possibility that financial loss might arise as a result of changes in interest rates

Maintaining affordability of borrowings, preserving invested principal and maintaining prudent levels of liquidity are the principal treasury management objectives for the Group, with secondary objectives of maximising investment yield and minimising borrowing costs. Treasury management is integral to the Authority/Group bodies' wider risk management strategies under policies approved by each body's governing body in their treasury management strategy. These strategies set out the principles for overall risk management, as well as covering specific areas such as the authorised limit for external debt and the investment of surplus cash.

The treasury management function, for the Authority, Greater London Holdings Limited, GLA Land and Property Limited and the London Legacy Development Corporation, is delivered by the GLA Group Treasury Team.

Each entity within the GLA Group, save Greater London Holdings Limited, separately manages the risks arising from the financial instruments that they hold. The following notes detail the nature and extent of risk facing each significant Group entity.

### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Credit ratings form the backbone of the investment policy for selecting institutions with which the Authority will invest surplus funds, based on knowledge and understanding of the risks involved. Although no combination of ratings can be viewed as fail-safe, the credit criteria for 2019/20 were based on Fitch, Moody's and Standard and Poor's suite of ratings, supported by broader market information. Relevant changes in counterparties' credit standing are reviewed daily, with updates provided by the Authority's treasury advisors. Where counterparties' credit standings are downgraded, the relevant investment limits are reduced with immediate effect or, where minimum criteria fail to be met, further investment is suspended. Maximum limits, for principal invested with each counterparty, are reviewed regularly with reference to relative risk and the Authority's cash flow requirements. All the Authority's investments are sterling denominated.

At 31 March 2020, 22.5% of the Authority's money market investments and cash were placed with other public bodies or institutions substantially owned by the United Kingdom's government, the remaining 77.5% were placed with institutions with at least an BBB+ credit rating. The long-term loans to GLA Land and Property Limited and the London Legacy Development Corporation are not deemed to pose separate credit risk given the level of parental control and the Authority does not consider the variable rate funding agreement to be at risk of default.

The disruption caused by COVID-19 began in the last few weeks of the financial year, and there has been no impact on the Authority's financial instruments at 31 March 2020.

## Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period is set out in Note 50a, in the Categories of Financial Instruments table.

## Liquidity Risk - Group

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group bodies manage liquidity risk by maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements. As long as the affordable borrowing limit set by the Mayor is not exceeded, the GLA and LLDC are able to borrow from the Public Works Loan Board, raise debt on the capital markets through both the GLA's established Bond and Commercial Paper programmes, borrow from Commercial Banks, other public bodies or utilise overdraft facilities and, subject to meeting the relevant criteria, borrow at competitive interest rates from the European Investment Bank. The GLA may also lend to its subsidiaries. There is therefore no significant risk that any Group body will be unable to raise finance to meet its planned capital commitments.

The maturity analysis of financial liabilities is as follows:

Borrowing	Authority	Group	Authority	Group
	31 March 2020	31 March 2020	31 March 2019	31 March 2019
	£000	£000	£000	£000
Less than one year	(153,380)	(152,880)	(241,458)	(207,755)
Between one and two years	(346,471)	(346,471)	(98,300)	(98,300)
Between two and five years	(803,800)	(808,400)	(892,500)	(892,500)
Between five and ten years	(1,653,500)	(1,653,500)	(1,321,700)	(1,321,700)
More than ten years	(2,501,458)	(2,502,458)	(2,002,142)	(2,002,142)
<b>Total</b>	<b>(5,458,609)</b>	<b>(5,463,709)</b>	<b>(4,556,100)</b>	<b>(4,522,397)</b>

Creditors	Authority	Group	Authority	Group
	31 March 2020	31 March 2020	31 March 2019	31 March 2019
	£000	£000	£000	£000
Less than one year	(89,147)	(109,218)	(98,667)	(125,863)
Between one and two years	(2,079)	(4,088)	(47)	(195,156)
Between two and five years	-	(48,369)	-	-
Between five and ten years	-	(5,458)	-	-
<b>Total</b>	<b>(91,226)</b>	<b>(167,133)</b>	<b>(98,714)</b>	<b>(321,019)</b>

## Market Risk

The Authority sets Prudential Indicators specifying maximum exposures to variable rate investments, reflecting the fact that the use of fixed rate instruments is the Authority's primary means of



managing exposure to interest rate movements. Where interest rates appear to be low, the Authority's Treasury function places great emphasis on matching the maturity profile of borrowings to prudent forecasts of future income to reduce the likelihood of needing to refinance borrowings at potentially unfavourable future rates. The Authority may also arrange borrowings or investments in advance at prior agreed rates as a means of managing short-term interest rate exposures.

## **51. Contingent liabilities and assets**

### **Contingent Liabilities**

#### **Heathrow Judicial Review**

The Heathrow judicial review appeal by Mayor and boroughs was dismissed by the Court of Appeal in March 2020. The Court ordered that the Mayor and boroughs pay the Government's legal costs in respect of the unsuccessful appeal. Various of the parties including the Mayor and boroughs have filed applications for permission to appeal. The costs awards are potentially subject to being overturned or changed as part of the process. The applications are yet to be determined by the Supreme Court and they may take several months. The possibility remains that costs may be payable at a future date but there is no sound basis upon which to estimate this liability.

#### **Property related liabilities**

GLAP inherited a register of potential assets and liabilities and has reviewed this as part of the closure of accounts process. This register holds information on the nature of potential obligating event, nature of uncertainty and likelihood of occurrence.

Contingent liabilities of some £52.5m relate to a number of potential claims, rights of use, restrictive covenants or dependencies on planning permission in relation to land assets hence their possible outcome - the following balance summarises all those where the likelihood of occurrence is considered possible and quantifiable.

#### **S106 Agreements**

Planning obligations are created under Section 106 of the Town and Country Planning Act 1990. They are legally binding obligations that are attached to a piece of land and are registered as local land charges against that piece of land. Planning obligations enable a council to secure contributions to services, infrastructure and amenities in order to support and facilitate a proposed development.

The Group inherited a number of S106 agreements, many of which have now expired or obligations have previously been met by the LDA or the Developer. Of those remaining the obligation is either unquantifiable, to be met by the developer or non-financial in nature and have not been provided for as at 31 March 2020.

### **ArcelorMittal Orbit Loan**

LLDC continues to recognise a contingent liability in relation to a loan of £13.0m (principal £9.2m plus unpaid interest), which was used to part fund the construction of the ArcelorMittal Orbit and is repayable to ArcelorMittal Orbit Limited from future profits from the operation of the ArcelorMittal Orbit as and when they are generated (firstly against interest on the loan then 50% against the principal thereafter). A discounted projected cash flow is used for calculation of the carrying amount. The projected cash flows result in the carrying value of the loan being set at nil. This position remains despite the surplus reported in prior years.

### **Crossrail Funding**

In order to assist the completion of Crossrail, in February 2019 the GLA started drawing on a £1.3billion loan facility negotiated with the Department for Transport. This additional loan by the GLA for Crossrail will be financed from the Business Rates Supplement and the Mayor's Community Infrastructure Levy (MCIL). In 2019/20 £889m of this facility was drawn down and passed by way of grant to TfL (as part of a total contribution of £989m) towards the costs of the Crossrail Project with £365m having been drawn down previously in 2018/19. The Authority assumes that the balance of the facility will be utilised in 2020/21.

### **Contingent Assets**

#### **Contingent rent**

Lease receivables from a lease with Excel Exhibition Centre have been treated as a contingent asset. The lease expires in 2199 and the annual lease receivable is based on the corresponding annual turnover of the centre the value of the lease is uncertain. The net present value of the estimated cash flows is considered to be between £10m and £25m and £1.3m was receivable in 2019/20.

## 52. Group Taxation

	Group 2019/20 £000	Group 2018/19 £000
Corporation tax on profits for the year	3,941	5,532
Prior year adjustment	-	350
Total Corporation tax on profits for the year	3,941	5,882
Deferred tax	(2,083)	(13,474)
<b>Tax recognised in surplus/deficit</b>	<b>1,858</b>	<b>(7,592)</b>
Net (surplus)/deficit on provision of services	(6,518)	47,082
Items taken to OCI	(5,459)	(872)
Non taxable income/non deductible expenditure	(45,132)	(112,614)
Adjustments in relation to equity mortgages	-	(89)
<b>(Profits)/losses chargeable to corporation tax (pre-losses)</b>	<b>(57,109)</b>	<b>(66,493)</b>
Losses brought forward	29,272	37,376
<b>Profits chargeable to corporation tax</b>	<b>(27,837)</b>	<b>(29,117)</b>
Corporation tax at 19%	5,289	5,532
Prior year adjustments	2	350
<b>Corporation tax at 19%</b>	<b>5,291</b>	<b>5,882</b>

	Group		
	Restated 1 April 2019 £000	Movement in year £000	31 March 2020 £000
<b>Deferred tax assets</b>			
Investment properties	1,664	(1,069)	595
Capital losses carried forward	1,700	200	1,900
Pension	3,514	(178)	3,336
<b>Total deferred tax assets</b>	<b>6,878</b>	<b>(1,047)</b>	<b>5,831</b>
<b>Deferred tax liabilities</b>			
Development stock	(3,002)	-	(3,002)
AFSFA	(133)	-	(133)
Trading losses	1,499	-	1,499
Accelerated capital allowances	(56)	-	(56)
<b>Net deferred tax on trading items</b>	<b>(1,692)</b>	<b>-</b>	<b>(1,692)</b>
Investment properties	(10,799)	1,528	(9,271)
Property plant and equipment	(2,494)	(184)	(2,678)
<b>Total deferred tax liabilities</b>	<b>(14,985)</b>	<b>1,344</b>	<b>(13,641)</b>
<b>Net deferred tax liabilities recognised in the surplus on provision of services after tax</b>	<b>9,472</b>	<b>(475)</b>	<b>8,997</b>
<b>Net deferred tax liabilities recognised in Other Comprehensive Income</b>	<b>(1,365)</b>	<b>178</b>	<b>(1,187)</b>
<b>Deferred Tax Liability</b>	<b>(11,621)</b>	<b>475</b>	<b>(11,146)</b>
<b>Deferred Tax Asset</b>	<b>3,514</b>	<b>(178)</b>	<b>3,336</b>

## 53. Northern Line Extension Income and Expenditure Account

The Northern Line Extension Income and Expenditure Account is a memorandum account which summarises the income received, and expenditure incurred in relation to the GLA's contribution

towards delivering this project. The account details the contributions received from the London Boroughs of Lambeth and Wandsworth using contributions from developers and payments from business ratepayers in the Battersea and Nine Elms area, the payment made to Transport for London and the financing costs incurred by the GLA in relation to the amounts borrowed by it, to finance its contribution to the project.

	<b>2019/20</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>530,450</b>	<b>417,176</b>
<b>INCOME</b>		
Amounts transferred by the London Borough of Lambeth	(26)	-
Amounts transferred by the London Borough of Wandsworth	(10,814)	(65,248)
Interest receivable on contributions received	(2,462)	(1,355)
<b>Total income</b>	<b>(13,302)</b>	<b>(66,603)</b>
<b>EXPENDITURE</b>		
Transport payments to Transport for London for NLE project	182,582	161,493
Interest payable on project related borrowing	16,483	11,255
Other expenses including brokerage and bond fees	6,633	7,129
<b>Total Expenditure</b>	<b>205,698</b>	<b>179,878</b>
Transfer from GLA business rates reserve to meet deficit	(9,813)	-
<b>Net deficit for the year</b>	<b>182,582</b>	<b>113,275</b>
<b>Deficit carried forward at 31 March</b>	<b>713,033</b>	<b>530,450</b>

During 2019/20 £182.6m was payable to Transport for London (TfL) in respect of the development and construction costs for the Northern Line extension. This expenditure is recognised as revenue expenditure financed by capital under statute – and written out through the capital adjustment account - and reported as expenditure in the CIES. The GLA also incurred interest payable on its borrowing of £16.5m. A further £6.6m of expenditure was incurred by the GLA respect of brokerage costs and fees including the loan guarantee provided by HM Treasury.

The GLA also received £10.8m in contributions from the London Borough of Wandsworth and £0.03m from the London Borough of Lambeth towards the project in 2019/20 under the agreement signed between both boroughs, the Greater London Authority and Transport for London in January 2014. In addition, £2.5m of interest was receivable on the balances held in respect of the project. As the in-year interest payable exceeded the borough project contributions a £9.8m drawdown was made from the GLA's business rates reserve which is intended to manage volatility in external income including business rates. This will be repayable in future years.

#### **54. Post balance sheet event**

There are no significant events, post 31 March, that require disclosure.

## Fund Account

The Fund Account is a memorandum account to show transactions under sections 102 and 103 of the Greater London Authority Act 1999 which requires all government grants for the Greater London Authority and its Functional Bodies to be paid to the Greater London Authority, which then passes them on to the Functional Bodies. This excludes funding paid through revenue support grant – which ceased for the GLA in 2017-18 under its business rates retention pilot - and retained business rates as well as specific grants paid for the purposes of the GLA which are directly controlled and allocated by the Mayor and form part of the CIES.

	2019/20 £000	2018/19 £000
<b>Income</b>		
<b>Fire Grants <sup>(1)</sup></b>		
Fire specific revenue grants	(31,500)	(12,263)
<b>Subtotal Fire Grants</b>	<b>(31,500)</b>	<b>(12,263)</b>
<b>Policing Grants</b>		
Home Office police general grants <sup>(2)</sup>	(1,807,447)	(1,762,393)
Local Council Tax Support grant for policing <sup>(2)</sup>	(119,676)	(119,676)
Home Office core capital grant	(12,427)	(12,177)
Home Office other specific grants <sup>(3)</sup>	(536,163)	(496,110)
<b>Subtotal Policing Grants</b>	<b>(2,475,712)</b>	<b>(2,390,355)</b>
<b>Transport (TfL) grants <sup>(4)</sup></b>		
Other DfT specific grants <sup>(5)</sup>	(40,645)	(47,006)
<b>Subtotal Transport Grants</b>	<b>(40,645)</b>	<b>(47,006)</b>
<b>Total Income</b>	<b>(2,547,858)</b>	<b>(2,449,625)</b>
<b>Expenditure</b>		
London Fire Commissioner <sup>(1)</sup>	31,500	12,263
Mayor's Office for Policing and Crime	2,475,712	2,390,355
Transport for London	40,645	47,006
<b>Total Expenditure</b>	<b>2,547,858</b>	<b>2,449,625</b>

(1) The fire revenue specific grant figure includes fire revenue grant, PFI grant and funding from central government for the Merton fire control centre. Fire formula grant has been paid via the business rates retention system and revenue support grant since 2013-14 and is therefore shown in the GLA's CIES. LFC's council tax precept payments are also recorded in the GLA's CIES.

(2) The core Home Office police grant in 2019-20 includes £185.3 million in respect of the National and International Capital Cities (NICC) grant, £682.6 million in general police core grant (net of the NICC) and £754.2m in former DCLG formula funding approved by Parliament in the 2019-20 Police grant report.

Local council tax support funding for the Mayor's Office for Policing and Crime was also approved via the Police Grant Report. MOPAC also receives additional funding approved by the Mayor which is paid to it by the GLA through retained business rates and payments from the Mayor's council tax precept which are both recorded in the GLA's CIES

(3) The policing revenue specific grant figure includes counter-terrorism and dedicated security post funding as well as other specific grants for policing paid via GLA by the Home Office. Some specific grants are paid directly to MOPAC (e.g. community safety project funding) and are therefore only recorded in its accounts.

(4) Some transport revenue specific grants are paid direct to TfL and therefore only appear in its accounts. Funding paid to TfL via retained business rates and council tax by the Mayor is reported in the GLA's CIES.

(5) The DfT other specific grant figure for 2019-20 includes £27 million in respect of London Overground grant as well as amongst other items funding for the ongoing development of the business case for the Crossrail 2 project and for smart ticketing.

## Crossrail Revenue Account incorporating the Statutory Business Rate Supplement Revenue Account

The Crossrail revenue account below, reflects the application of the GLA's retained revenues for Crossrail and its contributions towards the Crossrail project. It also incorporates the statutory BRS Revenue Account which is required under Schedule 1 of the Business Rate Supplements (Accounting) (England) Regulations 2010. The account details the income raised from the levy imposed on non-domestic ratepayers and on developers through the Mayoral Community Infrastructure levy to raise money to fund the Crossrail construction project and expenditure incurred in relation to this project by the GLA.

	2019/20	2018/19
	£000	£000
<b>Balance at 1 April</b>	-	-
<b>INCOME</b>		
Amounts transferable by billing authorities as calculated under the BRS regulations	(272,111)	(268,144)
Amounts transferable by collecting authorities in MCIL gross of collection allowances	(194,780)	-
Interest Receivable (in respect of the Crossrail BRS and related balances)	(874)	(919)
<b>Total income</b>	<b>(467,765)</b>	<b>(269,063)</b>
<b>EXPENDITURE</b>		
<b>Administrative expenses incurred by billing authorities</b>		
Further administrative expenses (billing authority cost of collection allowance)	446	440
Other billing authority collection costs and prior year adjustments	98	(97)
	<b>544</b>	<b>343</b>
<b>Allowable expenses incurred in respect of the collection and enforcement of MCIL</b>		
Collecting authority allowances	7,836	-
Charging authority allowances	811	-
MCIL provision for losses on collection	17,259	-
<b>Sub total MCIL collection expenses</b>	<b>25,906</b>	<b>-</b>
<b>Expenditure incurred by GLA in respect of the Crossrail Project</b>		
Transport payments to Transport for London in respect of the Crossrail project	989,000	365,000
Interest Payable on Crossrail related borrowing	124,924	114,333
Other expenses including brokerage fees	578	504
	<b>1,114,502</b>	<b>479,837</b>
<b>Total Expenditure</b>	<b>1,140,952</b>	<b>480,180</b>
Transfers to/(from) General fund - Surplus on BRS Revenue Account and Minimum Revenue Provision	(673,187)	(211,117)
<b>Balance at 31 March</b>	<b>-</b>	<b>-</b>

Prior to 2019/20 MCIL revenues were retained by TfL as a direct contribution to the Crossrail project – albeit this was reported as nominal capital grant from, GLA to TfL in its statutory accounts. From 2019/20 the GLA was permitted under regulations approved by Parliament (The Community Infrastructure Levy (Amendment) (England) Regulations 2019 – 2019 966) to apply MCIL for capital financing purposes for Crossrail. In 2018/19 £134.1m of MCIL income was received net of £7.7m of collection allowances. This £134.1m 2018/19 comparable MCIL revenue figure is not reflected in the table above as the statutory arrangements were different and the GLA did not apply MCIL in 2018/19 for its capital financing.

## **55. Crossrail Business Rates Supplement**

The power to levy a Business Rate Supplements (BRS) was introduced in the Business Rate Supplements Act 2009 and related regulations and statutory guidance. The Act confers powers on relevant local authorities ‘to impose a levy on non-domestic ratepayers to raise money for expenditure on projects expected to promote economic development’. In London the only local authority empowered to levy a BRS is the Greater London Authority.

### **How the Crossrail BRS Is Calculated and Collected**

The BRS is applied at a rate of 2p (or 2 per cent of the rateable value) on non-domestic rating assessments on the local rating list in London with a rateable value above £70,000 and is collected on behalf of the GLA by the 33 London billing authorities (the 32 London boroughs and the Common Council of the City of London) the same bills as general business rates (NNDR). Reliefs for the BRS (e.g. for charitable organisations) operate on the same basis and the same percentage rate as for National Non-Domestic Rates. The rateable value threshold was increased to £70,000 from £55,000 on 1 April 2017 in line with the methodology set out in the final Crossrail BRS prospectus applying in a revaluation year.

Based on the final returns received in respect of 2019/20 billing authorities determined that they had collected BRS gross revenue of £272.2 million of which the GLA was due to receive £271.6 million after allowing for borough collection allowances and other costs. The gross income from the BRS was marginally higher in 2018/19 than in 2017/18 reflecting the changes in the taxbase and the impact of the timing and phasing impact of successful appeals on the 2010 rating list and adjustments being made by the Valuation Office Agency to the 2017 rating list.

The GLA also incurred interest payable on its borrowing of £124.9 million and £0.9 million of interest was receivable on the balances held in respect of the BRS. A further £0.6 million was charged to the BRS revenue account in respect of other costs incurred by the GLA in respect of the management and administration of the BRS and the GLA’s associated borrowing including brokerage fees.

## **GLOSSARY**

This glossary helps to define some of the terms and phrases found in these accounts.

### **Accounting Period**

The length of time covered by the accounts, in the case of these accounts the year from 1 April 2019 to 31 March 2020.

### **Accrual**

A sum included in the accounts to cover income or expenditure attributable to the accounting period for goods or services, but for which payment has not been received/made, by the end of that accounting period.

### **Actuarial Gains and Losses**

Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

### **Balances**

These represent the accumulated surplus of revenue income over expenditure.

### **Capital Expenditure**

Expenditure on the acquisition of fixed assets that will be of use or benefit to the Authority in providing its services for more than one year.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the main professional body for accountants working in the public service.

### **Collection Fund**

A fund administered by each London Borough Council and the City of London Corporation as billing authorities. Council Tax and Non-Domestic Rates are paid into this fund and the net requirements of the Authority and its Functional Bodies as well as the Borough/Corporation are met from the fund. Any surplus or deficit is shared between the various authorities for council tax and additionally central government in respect of retained business rates. The Crossrail Business Rate Supplement is also paid into the collection fund and transferred to the GLA as the responsible levying body from it.

### **Council tax Requirement**

The consolidated amount the Authority estimates will be received through the council tax precept. This is the budget requirement net of all government specific and general grants. The GLA, Assembly and each functional body has a component council tax requirement which is approved in the Mayor's annual budget.



**Creditors**

The amounts owed by the Authority at the Balance Sheet date in respect of goods and services received before the end of the accounting period but not paid for.

**Debtors**

Amounts owed to the Authority but unpaid at the Balance Sheet date.

**Depreciation**

The measure of the cost or revalued amount of the benefit of the fixed asset that has been consumed during the period.

**Fees and Charges**

The income raised by charging for goods, services or the use of facilities.

**Financial Instrument**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term “financial instrument” covers both financial assets and financial liabilities and includes trade receivables and trade payables, investments and borrowings.

**Fixed Asset**

A tangible item that yields benefit to the Authority for a period of more than one year.

**Functional Body**

A term used to describe those bodies, other than the Greater London Authority, for which the Mayor of London sets the budget and appoints members to run those bodies. The five functional bodies are:

- **London Legacy Development Corporation (“LLDC”)** responsible for development of the Queen Elizabeth Olympic Park;
- **London Fire Commissioner (“LFC”)** responsible for providing an efficient and effective fire brigade and emergency planning service for London;
- **Mayor’s Office for Policing and Crime (“MOPAC”)** is headed by the Mayor or, by his nomination, the appointed statutory Deputy Mayor for Policing and Crime. This means that the Mayor is directly accountable for policing performance in London, except the City of London which has its own police force provided by the Corporation of London;
- **Old Oak and Park Royal Development Corporation (“OPDC”)** responsible for the regeneration of Old Oak Common in West London; and

- **Transport for London (“TfL”)** responsible for London's buses, London Underground, Docklands Light Railway, Croydon Tramlink, Dial-a-Ride services, London River Services, Woolwich Free Ferry, taxis, private hire cars and maintenance and traffic management of most of the major roads in Greater London.

### **IAS 19 Employee Benefits**

The objective of IAS 19 is to prescribe the accounting and disclosure for employee benefits (that is, all forms of consideration given by an entity in exchange for service rendered by employees). The principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

### **Materiality**

Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting authority.

### **National Non-Domestic Rates [also known as Business Rates or Uniform Business Rate (UBR)]**

A property tax based on notional rental (rateable) values levied on non-domestic hereditaments. The tax is set by central government and collected by Local Authorities.

### **Precept**

The amount the Mayor requires the London Boroughs and Corporation of London to pay from their Collection Funds in respect of council tax in order to meet the costs of services of the GLA and its functional bodies

### **Prepayment**

Where expenditure has been invoiced and charged against the current year's budget but relates to goods and services to be received in the following financial year. This expenditure has to be treated as a prepayment.

### **Provisions**

Amounts set aside to meet costs which are likely or certain to be incurred but are uncertain in value or timing.

### **Reserves**

The accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial problems. Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

**Revenue Expenditure**

The day to day spending on employment costs, other operating costs (accommodation, supplies and services etc.) net of income for fees and charges etc.

**Revenue Support Grant**

Central Government financial support towards the general expenditure of local authorities paid on an unringfenced basis and without conditions.

**Specific Government Grants**

Central Government financial support towards particular services which is “ring fenced” or paid for the purposes of a particular functional body (i.e. can only be spent on a specific service area or items).

**Executive Director of Resources****Greater London Authority**

City Hall

The Queen’s Walk

London SE1 2AA

Enquiries: **020 7983 4255**

