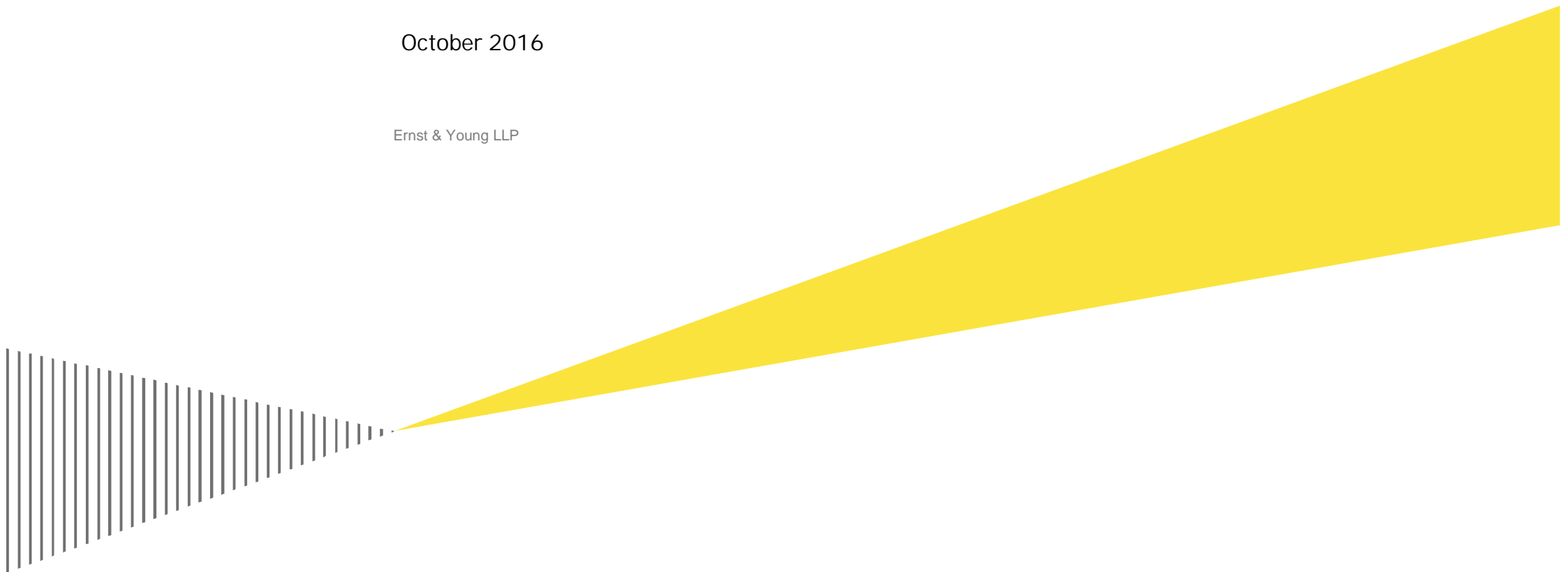


Greater London Authority

Annual Audit Letter for the year ended 31 March 2016

October 2016

Ernst & Young LLP



Contents

Executive Summary	2
Purpose.....	5
Responsibilities.....	7
Financial Statement Audit	10
Value for Money	17
Other Reporting Issues.....	21
Focused on your Future	24

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

A close-up photograph of a person's hand holding a blue pen and writing on a document. The hand is positioned on the right side of the frame. In the background, a laptop is open, and a calculator is visible on the desk. To the left, a white mug is partially visible. The scene is brightly lit, likely from a window, creating a professional and focused atmosphere. A yellow rectangular box is overlaid on the left side of the image, containing the text 'Executive Summary'.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to the Greater London Authority (the Authority) following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Authority's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Greater London Authority Statement of Accounts 2015/16
Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Annual Governance Statement	The Annual Governance Statement was consistent with our understanding of the Authority
▶ Public interest report	We had no matters to report in the public interest
▶ Written recommendations to the Authority, which should be copied to the Secretary of State	We had no matters to report
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).	We had no matters to report

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 28 September 2016
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 21 October 2016 once our WGA work was completed

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Karl Havers
Partner
For and on behalf of Ernst & Young LLP

Purpose



Purpose

The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to those charged with governance dated 28 September 2016. We do not repeat those detailed findings in this Letter. The matters reported here are the most significant for the Authority.



Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plan that we issued on 15 March 2016 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2015/16 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the Annual Governance Statement is misleading or not consistent with our understanding of the Authority;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Authority, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

A blurred office desk with a laptop, glasses of water, and financial documents. The scene is brightly lit, likely from a window with blinds in the background. A yellow rectangular box is overlaid on the left side of the image, containing the text 'Financial Statement Audit'.

Financial Statement Audit

Financial Statement Audit

Key Issues

The Authority's Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Authority's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 30 September 2016.

Our detailed findings were reported to the Mayor of London in our Audit Results Report dated 28 September 2016.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business</p>

Revenue and expenditure recognition

Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.

We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.

Our testing has not revealed any material misstatements with respect to revenue and expenditure recognition.

Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Authority's financial position.

Pension valuations

The Authority's current pension fund deficit is a highly material and sensitive item. The Code requires the disclosure of this liability on the Authority's Balance Sheet.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the administering body; the London Pensions Fund Authority.

We liaised with the auditors of the London Pensions Fund Authority to obtain assurances over the information supplied to the actuary in relation to the Greater London Authority. We performed procedures to confirm that we could place reliance on the work of the actuary. We reviewed and tested the accounting entries made within the Authority's financial statements in relation to IAS 19.

Our testing did not identify any material issues regarding the work of the actuary in this area or the application of IAS 19 to the valuation and disclosure of the pension fund deficit.

Property valuations within LLDC and GLAP

The GLA group Balance Sheet contains property assets which are highly material in nature. The unique and material nature of LLDC's Olympic Park non-current assets and the 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.

A similar issue arises on GLAP's property assets that are classified as property plant and equipment, investment assets or inventory. The classification impacts directly on the appropriate valuation basis.

Our audit procedures included consultation with the EY Estates team regarding the valuation of the Olympic Park asset at LLDC, as the valuation methodology for this asset was complex in nature.

This consultation and our other testing procedures regarding property valuations at both LLDC and GLAP Ltd did not highlight any material issues with regard to the valuation of the GLA group's property portfolio.

Significant accounting judgements and estimates regarding CPO provisions – GLA Land and Property
GLAP recognises Compulsory Purchase Order (CPO) provisions. There are both inherited from the London Development Agency and the London Thames Gateway Development Corporation and created by GLAP from 2012/13 onwards. Good progress has been made on settling these provisions during 2014/15; however, the remaining provisions continue to be both highly material to the GLAP financial statements and highly judgemental. Errors in judgement could therefore result in material error.

To ensure the GLAP CPO provision was not materially overstated, we sample tested payments, reversals of unused provisions and additional provisions made in-year for accuracy and consistency with legal advice. We also reviewed settlements made during 2015/16 and in 2016/17 for indications regarding the accuracy of the outstanding provision as at 31st March 2016.

Our testing procedures regarding the CPO provision within GLAP Ltd did not highlight any material issues with regard to its accuracy or disclosure.

Localisation of business rates and rating appeals

Significant changes in the arrangements for business rates were introduced in April 2013. The detailed accounting requirements for these arrangements are complex and the accounting entries highly material. This therefore presents a risk in terms of the financial statements.

One of the main changes introduced was the requirement for individual authorities to provide for rating appeals. The significance of this for GLA is reflected in the provision in 2014/15 of £163 million. As appeals are made to the Valuation Office, authorities may not be aware of the level of claims. Authorities may also find it difficult to obtain sufficient information to establish a reliable estimate.

We reviewed the detailed accounting for business rates to confirm that the Authority's accounts were materially accurate and compliant with the CIPFA Accounting Code.

We specifically reviewed and tested the Authority's provision for business rate appeals to ensure it had been calculated on a reasonable basis and is compliant with the requirements of IAS 37. As part of this we ensured that the provision was supported by appropriate evidence including review of information provided by the London boroughs, as GLA's provision comprises a share of the provision made by each borough. We also requested information from the auditors of those London Boroughs that represent the significant proportion of the provision in GLA's accounts. Finally, we assessed the steps taken by the Authority to ensure that the information provided by the London Boroughs had fully taken account of national trends concerning types and rates of appeals, as well as their settlement history.

These procedures confirmed that GLA's NDR rating appeals provision is calculated on a reasonable basis and we gained sufficient assurance that the provision was not materially misstated.

E20 Stadium LLP and impairment of the former Olympic Stadium

E20 Stadium Company LLP, a limited liability partnership between LLDC and London Borough of Newham was incorporated on 6 July 2012 and commenced trading in 2013/14.

The objective of the LLP is to transform and then operate the Olympic Stadium. The budgeted cost of the transformation work is in excess of £300 million and at 31 March 2016 the estimated value of the stadium on completion of the transformation work was £22.5 million. LLDC group management concluded at the outset of the transformation work that stadium transformation expenditure would be impaired over the period of the transformation works to reflect the stadium value on completion; the impairment being recognised in proportion to spend undertaken in the period. The level of expenditure on stadium transformation, and the resulting impairment charge, was expected to be highly material to the GLA group in 2015/16.

The GLA group's share of the loss in E20 LLP (which is driven by this impairment cost) is recognised in the GLA group accounts' and is based on two accounting judgements; the cost of the transformation work and the valuation of the stadium following that work.

GLA group's share of the loss in E20 LLP is driven by the stadium impairment charge in E20 LLP. Both elements of the impairment charge (the cost of the capital works and the valuation of the stadium following that work) are based on highly significant judgements made by E20 LLP management.

The EY component team at LLDC reviewed the E20 Business Plan, which is the basis for the stadium valuation at completion, and considered LLDC management assessment of the projected income and expenditure within that plan in its role as a Member of the joint venture. We acknowledge the difficulty of predicting future income and expenditure, particularly where there is limited historical or comparative information on which to base such predictions. We placed reliance on management assertions regarding the assumptions on which the Business Plan was based. These reflected the information available at the time of our audit. We also considered the sensitivities around some of the assumptions on which key judgements were based. We requested from management representations on the judgements they had made on this issue

We were satisfied that, based on the information available at the time of the audit, the share of the estimated E20 loss has been appropriately accounted for in the GLA group financial statements. We do however understand that there have been developments since the signing of the accounts that may impact on some of the assumptions supporting the estimates used in the Business Plan projections. The Authority will need to consider the potential impact of any such changes on the GLA group projected financial position.

We have provided further comment on the E20 Business Plan in the future focus section of this Letter

Accounting for deferred taxation

As a development corporation under the GLA Act, LLDC is liable for corporation tax. As a result of this, a deferred tax liability of £52.8 million was recognised in the 2014/15 GLA group financial statements. This arose from the increase in value of LLDC's investment properties and the tax liability that will arise when those investment assets are sold.

The CIPFA Accounting Code (under which the GLA group and LLDC prepare their financial statements) is silent on accounting for deferred tax in single entity accounts. Local authority accounting includes a number of statutory overrides which are designed to ensure that the general fund is only charged with expenditure as it is incurred, not when a provision for a future cost is created. There is however no statutory override regarding deferred tax provisions.

As part of the 2014/15 audit, the LLDC consulted externally on the accounting treatment in relation to this issue. As a result, it was concluded that as no statutory override was in place for a deferred tax charge, the cost of creating the provision should be charged to the general fund. This has a material impact on the GLA group accounts when the LLDC accounts are consolidated.

At the time of drafting this letter, GLA group discussions with HM Treasury and the Department for Communities and Local Government (DCLG) regarding the accounting treatment of deferred tax within the single entity accounts remain ongoing. As there had been no change to accounting guidance in this area, deferred tax was once again treated as a general fund item in both the 2015/16 LLDC and GLA group financial statements. We concurred with that treatment.

The LLDC EY component audit team concluded that there was no need to consult with the EY tax team as the Corporation followed the principles established in the previous year. During 2015/16, the Corporation reviewed its future plans and as a result a more prudent approach was taken with the treatment of deferred tax assets.

Other Key Findings	Conclusion
<p>Assessment of the GLA Group Boundary</p> <p>The role of the Authority, its structure, and its working relationships have continued to evolve over time.</p> <p>Old Oak and Park Royal Development Corporation came into operation from 1 April 2015 to realise the full development potential of Old Oak Common and Park Royal.</p> <p>Also during 2015/16, the Government announced its intention to bring fire and rescue services in London under the direct responsibility of the Mayor of London by abolishing the London Fire and Emergency Planning Authority (LFEPa) and creating the London Fire Commissioner as a corporation sole.</p> <p>It is therefore important that the GLA continues to revisit on an annual basis its assessment of the group boundary. This assessment will need to consider all entities, both within the GLA family and beyond, under IFRS 10: Consolidated Financial Statements and IFRS 11: Joint Arrangements.</p>	<p>The Authority concluded that, following an assessment under IFRS 10 and 11, those entities within the GLA group boundary remain unchanged from previous periods with the exception of Old Oak and Park Royal Development Corporation which was incorporated on 1 April 2015 and included in the Group for the first time in 2015/16.</p> <p>With regard to E20 LLP, the Authority's assessment of its relationship with this entity continues to conclude that it does not exert control over E20 LLP such that it can influence the returns it receives from that entity. E20 LLP therefore continues to be accounted for using the equity method within the LLDC group accounts.</p> <p>Regarding LFEPa and Transport for London (TfL), although future governance and funding changes may change the group boundary decision regarding these entities, there is no evidence that there was any change to GLA's control position over either LFEPa or TfL during the 2015/16 financial year.</p> <p>We therefore concurred with management's judgements regarding the Group boundary.</p>

A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with the edges of several coins visible. The lighting is warm, highlighting the metallic texture and the embossed details on the coins. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Value for Money".

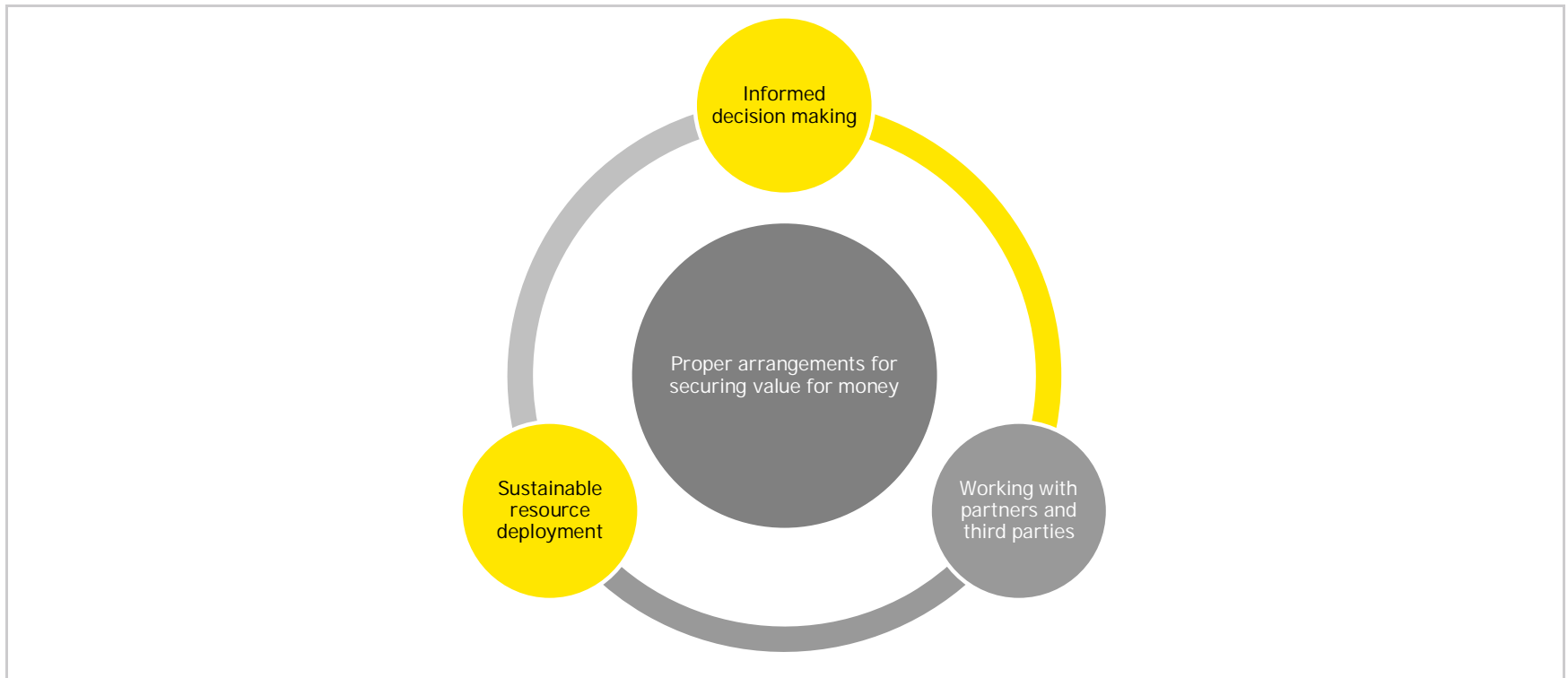
Value for Money

Value for Money

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We issued an unqualified value for money conclusion on 30 September 2016.

During the planning of our audit, we identified two significant risks in relation to our value for money conclusion. This related to the Cultural & Education District Project and partnership working. We have performed the procedures outlined in our Audit Plan to address these risks and our work did not identify any significant matters in relation to the Authority's arrangements. We therefore concluded that the Authority had adequate arrangements in place.

As part of our work we considered the impact of the significant risks identified on the Authority's arrangements for:

- Taking informed decisions;
- Deploying resources in a sustainable manner; and
- Working with partners and other third parties.

As a result of our work, we made following observations

Key Findings

The Cultural & Education District Project

The Cultural & Education District Project is being undertaken by LLDC; and LLDC is one of the entities who are currently within the GLA's group boundary and whose accounts are consolidated into the GLA group financial statements. The Cultural & Education District Project, which is now in its concept design stage, is by far the most significant project which LLDC has undertaken. Its main objective is the continued development of the Olympic Park and the securing of the Olympic legacy. This is a large scale project with a highly significant funding requirement. The GLA are providing funding directly to the host body, the LLDC, with the majority of total funding being provided by third parties, including the Government, a specific charitable fund and a number of educational and cultural bodies involved in the project. The GLA are required to underwrite the cost of the project. As a result, the GLA is exposed to any shortfalls in the funding being provided by third parties in the medium to long term.

Our response to this significant value for money risk focused on assessing how the Authority is holding LLDC to account, at Board and officer level, on the project plan, activities and financial forecasting for the project, and understanding how the Authority is working with LLDC to understand and gain assurance on how the significant risks facing the project are being managed and mitigated. We concluded that the arrangements in place continue to allow GLA to adequately hold LLDC to account at Board and officer level, including the financial forecasting for the project. The GLA continues to pro-actively work with LLDC to understand and gain assurance on the project risks, as well as plans in place to mitigate these risks.

We recognise the GLA is still exposed to risks arising from the LLDC's financial and operational performance. However the governance arrangements established last year remain in place and provide assurance that the GLA is managing the risk appropriately.

Partnership Working

The GLA is a highly complex body with various arrangements and partnerships across London and beyond. The Authority and its governance structure works to ensure that these arrangements remain constructive. However, where partner bodies are related parties rather than functional bodies this is harder for the Authority to manage.

Our approach to addressing the risk identified related to partnership working focused on updating our understanding of the significant bodies that the GLA has a relationship with, and reviewing arrangements that the GLA has in place to monitor and ensure the effectiveness of the governance arrangements and relationships. As a result of our work we concluded that the arrangements in place are adequate and allow the GLA to effectively monitor the operation of those significant partnerships



Other Reporting
Issues

Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Authority for Whole of Government Accounts purposes. We had no issues to report.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2015/16 financial statements from member of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Mayor of London dated 28 September 2016. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have adopted a fully substantive approach and have therefore not tested the operation of controls. We have however undertaken walkthroughs of the significant systems and the key controls, as well as reviewing the work of internal audit. We have no issues to report.

A close-up photograph of a person's face as they look through a pair of black binoculars. The person's eyes are focused on the lenses, and their hands are visible holding the device. The background is a soft, out-of-focus white. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Focused on your future".

Focused on your
future

Focused on your Future

Area	Issue	Impact
EU referendum	<p>Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. For entities in the public sector, there is likely to be an impact on investment property valuations if confidence in the wider UK property market falls; and the valuation of defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact of these issues, but there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.</p>	<p>Many of the issues and challenges that face the UK public sector will continue to exist, not least because continued pressure on public finances will need responding to. Additionally it may well be that the challenges are increased if the expected economic impacts of the referendum and loss of EU grants outweigh the benefits of not having to contribute to the EU and require even more innovative solutions.</p> <p>We are committed to supporting our clients through this period, and help identify the opportunities that will also arise. We will engage with you on the concerns and questions you may have, provide our insight at key points along the path, and provide any papers and analysis of the impact of the referendum on the Government and Public Sector market.</p>
The Cultural & Education District Project	<p>The Cultural & Education District Project is being undertaken by LLDC; a subsidiary organisation of the GLA. The project, which is now in its concept design stage, is by far the most significant project which LLDC has undertaken, with its main objective being the continued development of the Olympic Park and the securing of the Olympic legacy. This is a large scale project with a highly significant funding requirement. The GLA are providing funding directly to the host body, the LLDC, with the majority of total funding being provided by third parties, including the Government, a specific charitable fund and a number of educational and cultural bodies involved in the project. The GLA are required to underwrite the cost of the project, and as a result, the GLA is exposed to any shortfalls in the funding being provided by third parties in the medium to long term.</p> <p>We identified a significant VFM risk regarding this project for 2015/16. This has been detailed elsewhere in this Letter.</p>	<p>As this project moves forward into the more detailed and complex development phase, the importance of robust and accurate financial planning, partnership working with the extensive range of stakeholders and managing the risks that continue to be present in relation to this project will increase.</p> <p>We will continue to work with the both the GLA and LLDC regarding this project, ensuring that the arrangements in place continue to allow GLA to adequately hold LLDC to account at Board and officer level, including the financial forecasting for the project. Our ongoing assessment will focus on whether the GLA continues to pro-actively work with LLDC to understand and gain assurance on the project risks, as well as plans in place to mitigate these risks.</p>

Area	Issue	Impact
E20 Stadium LLP	<p>As noted in the financial statements audit section of this Letter, E20 Stadium Company LLP is a limited liability partnership between the London Legacy Development Corporation (LLDC) and Newham Legacy Investments (NLI) – a wholly owned subsidiary of the London Borough of Newham. The objective of E20 LLP is to transform and then operate the Olympic Stadium. The GLA group’s share of the loss in E20 LLP is recognised in the GLA group accounts through the consolidation of LLDC.</p> <p>LLDC group management concluded at the outset of the capital works that the related expenditure would be impaired over the period of the works to reflect the Stadium value on completion. The level of expenditure on Stadium capital works, and the resulting impairment charge, has been highly material to the GLA group since E20 LLP’s incorporation, as GLA group’s share of the loss in E20 LLP is recognised in GLA’s group accounts.</p> <p>The key variable regarding the valuation of the Stadium is the 10 year E20 LLP Business Plan and the projected cashflows that it contains.</p>	<p>The transformation works on the Stadium are now complete and the project is now transitioning into its operational phase. The focus of E20 LLP management will now move to ensuring the sustainable delivery of the Business Plan, placing particular emphasis on the key risks to delivery: securing stadium naming rights income; maximising the performance of the stadium operator (LS185); and finding effective solutions to other operating costs.</p> <p>We will continue to work closely with E20 LLP and LLDC management in this area to ensure we have a full understanding of the performance of E20 LLP against its Business Plan and any resulting impact on GLA group finances and the valuation of the stadium.</p>

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All Rights Reserved.

ED None

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

[ey.com](https://www.ey.com)