Covent Garden Market Authority

Report and Accounts for the accounting period from 1 April 2020 to 31 March 2021

60th Report & Accounts 2020/2021

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Presented to Parliament pursuant to Section 46 of the Covent Garden Market Act, 1961

Covent Garden Market
Authority
Food Exchange
New Covent Garden Market
London
SW8 5EL

Price £10.00

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The Report and Accounts

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About Covent Garden Market Authority

Covent Garden Market Authority (CGMA) (the Authority) owns and runs New Covent Garden Market (NCGM) (the Market) and is accountable to the Department of Environment, Food and Rural Affairs (Defra). Its income is derived from the rents and service charges accrued by tenants leasing trading and office space.

What we do

CGMA lets and manages the space at NCGM. Services provided include:

- Maintenance of buildings, plant and equipment
- Cleaning and waste management
- Energy supply
- Site security
- Traffic control
- Business development and support

£3.9m Rental income

31 staff employed by CGMA

Redeveloping New Covent Garden Market

CGMA, in partnership with VINCI St. Modwen (VSM), is rebuilding New Covent Garden Market (NCGM). This is a long-term project that will see the construction of brand new market buildings and facilities and allow NCGM to continue to feed and flower London for generations to come.

The redevelopment of NCGM will provide modern facilities for the 165 small and medium sized companies based in the market and the 2,000+ people they employ. The NCGM site forms part of a wider transformation of Nine Elms, which is creating a new and exciting residential and business district.

NCGM is one of three iconic sites in Nine Elms, alongside Battersea Power Station and the American Embassy. The redeveloped site will be ideally placed to form part of the proposed Food Quarter for London.

Surplus land from the original 57-acre site is being redeveloped to facilitate a new, high quality, residential-led, mixed-use scheme, which will be delivered by a range of developers and consist of 2,973 new homes, including 447 (15.1%) affordable homes, 12,624 sq ft of office space, and 8,994 sq ft of retail, leisure, and new community facilities, including shops, cafes, and restaurants.

The commercial and construction elements of the 11-year multi-phase programme will provide 2,000 further jobs. It has also contributed to the cost of the Northern Line Extension and the new station at Nine Elms. The extension of the Northern Line and the opening of two new tube stations in Autumn 2021 means the majority of people living and working in the area will be within five minutes' walk of a tube station.

During the year ended 31 March 2021 the redevelopment project yielded the following milestones:

- Vacant possession of units at the West End of Blocks A, B, C and D in the Fruit and Vegetable Market was secured on time on 18 January 2021, following landmark agreements with the Covent Garden Tenants Association (CGTA) and VSM, leaving the developer to commence its demolition schedule for that section of the Market and restart a revised redevelopment programme.

- Tenants moving as part of the first phase of the permanent Fruit and Vegetable Market units consisting of 69,000 sq ft of food grade market premises continue to move from the existing estate and CGMA continues to work closely with each of the tenants to ensure a successful and smooth transition into the new units.

- COVID-19 did not have a major impact on redevelopment work. A large part of the work that was being undertaken during this financial period related to asbestos removal and the people carrying out the work were extremely well protected as a result. Brexit did not cause any unforeseen issues either, as all deals had been completed and materials purchased prior to the Brexit date.

- The West Link Bridge was fully demolished in the previous year and work was underway as this financial year ended to prepare for the demolition of the East Link Bridge, which was due to begin in July 2021. Work at the west end of the Market was delayed by the discovery of large deposits of concrete during excavation of the old railway yards. The concrete has now been removed and current thinking is that the time lost – roughly 10 weeks - will be recovered during the rest of the programme.

More information is available at www.newcoventgardenmarket.com

Highlights

Covent Garden Market Authority's Performance

Revenue from normal trading activity was £12.8m, down from £16.4m in 2019/20. The impact of the pandemic reduced trading on the market, decreasing operational costs to be recovered from tenants as well as increasing the number of void units during the year, resulting in reduced rental income and recoveries from tenants.

CGMA settled a long-running dispute with the tenants which included agreeing new terms for the tenant leases. Combined with providing rebates to our tenants for the periods where areas of the market were in lockdown, rental income decreased from £5.1m to £3.9m.

The periodic lockdowns prevented the Sunday Market from operating for much of the year as well as reducing traffic on the site and therefore decreasing revenue from vehicle charges.

CGMA's Key Performance Indicators

Occupancy Rate: Total Trading Area

Occupancy of core trading space on a like-for-like basis has decreased to 89% from 92% in 2019/20:

- Fruit & Vegetable Market dropped to 88% as at 31 March 2021, from 92% in 2019/20.
- Flower Market decreased to 96% (2019/20: 100%).
- The Food Exchange building was 87% as at the year end, compared to 95% in the previous year.

General Service Charge (GSC): £ per sq ft

The GSC for the year was £14.14 per sq ft, after a rebate of £4.64 from the initial expectation of £18.78 per sq ft. This compared to £16.02 for the previous year. Efforts were made during the year to reduce operational costs wherever possible during and after the periods of national lockdowns, where there was reduced trading on site, allowing the Authority to pass on the cost savings through a lower charge to tenants.

Key Events

The financial year ended 31 March 2021 saw the first Fruit and Vegetable Market tenants move into the new buildings completed in the first phase of the Fruit & Vegetable Market's redevelopment project.

The Food Exchange continued to come of age as a centre for entrepreneurial businesses, most of which operate food-related business models. Work completed on Mission Kitchen following year end, enabling the welcome of its first members at the start of the summer.

COVID-19 hit the hospitality businesses hard, with our catering traders who supply the industry reporting levels of trade dropping by as much as 80 per cent. Unfortunately, our flower traders did not meet the government's criteria to continue trading face-to-face during successive national lockdowns, which added to their commercial challenge. CGMA supported tenants across the Market where possible, with rent and service charge refunds and rebates totalling almost £2 million.

In November 2020, agreements were reached with members of the tenant community and VSM, both of which were extremely important milestones on the road to completion of the redevelopment programme. Further information is provided within the Governance Statement.

Chair's Statement

David Frankish, Chair

The financial year to March 2021 provided challenges no-one could possibly have envisaged a year earlier. I am therefore proud to be able to share with you that the response of our tenants to the toughest trading period they will hopefully ever have to negotiate has been extremely impressive.

We are unlikely to know for at least another 24 months what the longer-term impact of COVID-19 will be on the world or on this Market in particular, but despite the disruption caused by the global pandemic, overall the year was one marked by considerable achievement.

The country's largest and oldest wholesale market has dealt with plenty of adversity over the centuries and its resilience always shone through. Similarly, when the pandemic arrived our mettle was tested as roughly 80% of the produce sold from NCGM was destined for the catering and hospitality sectors and after the first lockdown began, those businesses closed their doors with a predictively dramatic effect on Market trade. While the Fruit and Vegetable Market never actually closed, many of the catering suppliers saw their day-to-day business cease overnight. Early estimates were that as little as 20% of the normal weekly trade was taking place in the first few weeks, almost exclusively by wholesalers selling into independent greengrocers and other market traders.

COVID-19 is widely seen as a disruptor, but in some ways I'd say it's also been an accelerator. What it did was put supply chains under pressure and forced them to evolve quickly. It turned into a revolution in some areas and although the outcomes may well have happened anyway, the timescale to adapt was much shorter.

The agile and innovative side of market life soon kicked in and within days, a number of home delivery box schemes were created by NCGM businesses, ensuring that London and beyond was provided with healthy, nutritious food delivered to the front door. Tenants explored all manner of other concepts, some of which were short-lived but nonetheless vital at a time when certain links in the food supply chain were broken, and others which continue to this day and will probably endure.

The charitable nature of our tenants shone through too – within days of lockdown being enforced, many of them were collaborating to supply the frontline staff of our National Health Service and other keyworkers, as well as several food supply channels for the deprived and homeless. Hundreds of tonnes of first class produce and thousands of work hours were donated to the cause.

On the other hand, the Flower Market was not deemed essential business and was obligated to shut for several weeks of the financial year. None of the plant wholesalers were able to operate as normal and it was a very difficult period to navigate. Since reopening in April 2021, the recovery to the time of writing has been cautious and variable. Reduced trading for a 2nd Christmas, due to the Omicron variant of COVID-19, further impacted that recovery.

CGMA looked to support tenants wherever possible through the onset of COVID-19. We provided more than £1.8 million of liquidity in extended credit terms and direct aid such as general service charge and rent refunds and rebates when trading was most severely impacted. We also worked with tenants to ensure that they were all in a position to access any national and local government support that they were entitled to. Our communications and marketing team were available throughout to widely promote the initiatives that were launched during lockdown, including the home delivery schemes and co-ordinated charitable projects.

Working together with market traders is crucial to maximise NCGM's potential and I am pleased to report that in November 2020, we reached a landmark settlement with the CGTA.

The tenants felt that the redevelopment plan for the Market did not recognise some of the issues they had raised as wholesale operators. The requirement for certain building modifications has been taken on board which in turn, re-established a mutual understanding of how to find solutions and move forward with a common goal. This united front is a real game-changer for the Market as a whole.

Following a dispute around some of the causes of delays to the redevelopment programme, we also came to an agreement at around the same time with our development partner VSM.

Thanks to both of the above agreements, we were able to meet the deadline of January 18th 2021 to complete Phase 1 of the redevelopment. Importantly, we have confidence that all construction activity will be completed by January 2027 making New Covent Garden Market not only the UK's oldest wholesale market brand, but also the wholesale market with the newest infrastructure in the UK. Our uniquely central location means that both the Fruit and Vegetable and Flower Markets will retain their pre-eminence in the supply chain as a horticultural hub whilst the London region recovers.

We have also created space for new types of food business at the Market. After a lengthy fit-out during the pandemic, Mission Kitchen was duly opened for business in the Food Exchange from June 2021 and has subsequently welcomed its first food entrepreneur members. Already, we know that several Mission Kitchen businesses are purchasing fresh produce from wholesalers in the Market and the expectation is that the food entrepreneurs will go on to create far larger businesses that continue their connection with traders here. Ultimately, the aim is to foster businesses that will expand and offer employment to local people. The Food Exchange as a whole has been very successful in attracting tenants; as we entered the 2021-22 financial year most of the capacity had been fully let.

Internally, CGMA was embarking on the first year of a two-year strategic transformation period when COVID-19 hit, involving a restructure of our systems, processes and people. We recognised the need to go through this restructure to better focus our investment – in time and money – on meeting our statutory duty, which is to provide a bulk wholesale, horticulture market whilst meeting the financial criteria of the framework agreement we have with Defra.

Year One of that programme saw changes of personnel and there has been more in Year Two. The implementation of new systems and processes will take a bit longer, but we expect new systems to be substantially in place in time for the new financial year.

An important part in CGMA's role is to provide a suitable environment to assist tenants to trade successfully, not just through investments in physical assets (such as the redevelopment), but also through connecting with the knowledge economy. Naturally, we are well aware of our responsibility to ensure also that the redevelopment programme provides a sustainable Market. Our zero-to-landfill commitment is complemented by the use of solar panels, energy-saving construction materials and the introduction of electric vehicles as well as battery charging facilities.

I believe the longer-term sustainability agenda is profoundly important to the logistics of doing business here. The availability of drivers could be an enduring issue and the cost of drivers is also rising. As previously stated, we have an ongoing commitment to minimise the CO2 output of the Market, so a continuing focus on reducing food miles will be key to reliable, competitive and sustainable businesses.

I finished last year's statement by wishing everyone the very best as we looked ahead to what we expected would be difficult times. I also said the year would be pivotal for the market and this has proved to be the case. We will undoubtedly face more challenges ahead, but importantly, we are well positioned to seize the opportunities offered by ongoing change to horticultural supply chains.

New Covent Garden Market Trade

New Covent Garden Market is London's original and finest fresh food and flower Market – feeding and flowering the capital daily. It is the largest fruit, vegetable and flower wholesale market in the UK.

165 companies trade fruit, vegetables, and flowers but also dairy, ice and gourmet ingredients.

165 Businesses

Turnover **£489m**

Tenant Business Type	£million*
Fruit & Vegetable Wholesalers	119
Fruit & Vegetable Wholesale Distributors	214
Flower Market	23
Other Food Companies	19
Importers	114
Total	**489**

*Figures show total annual turnover from tenants' financial statements, year ending up to 31 December 2020

Governance Statement

Authority Board Members' Responsibilities

As required by the Covent Garden Market Acts 1961-1977 and the Direction given by the Secretary of State for the Department for Environment, Food and Rural Affairs in respect of the annual accounts, the Authority must prepare accounts in accordance with the Companies Act 2006. As a result, the Authority Board Members prepare financial statements for the financial year which must give a true and fair view of the state of affairs of the Authority as stated at the end of the year and of the profit or loss for the trading year.

In preparing these financial statements: the Authority Board Members have adopted suitable accounting policies and have applied them consistently; they have made judgements and estimates that are reasonable and prudent; they have prepared them on a going concern basis and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and they have complied with the requirements of the Covent Garden Market Acts.

The Authority Board Members are responsible for ensuring that adequate accounting records are maintained which disclose, with reasonable accuracy at any time, the financial position of the Authority, and enable them to ensure that the published financial statements comply with the requirements of the Covent Garden Market Acts.

In addition, the Authority Board Members are responsible for safeguarding the assets of the Authority and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Authority's Board is satisfied that appropriate control systems are in place within the Authority's management to achieve these ends.

Regular reports of financial performance against budget are received from management by the Authority's Board.

The Authority Board Members agree strategic objectives and approve policies for the organisation and monitor the performance of executive management. As part of this role, they ensure that the Authority has appropriate policies in place relating to risk management, health & safety and corporate governance. They also ensure that adequate succession planning and remuneration arrangements are in place.

The Authority Board Members are responsible for the maintenance and integrity of the corporate and financial information included on CGMA's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Chair's Responsibilities

The Chair of the Authority is personally responsible for giving assurance to Defra's Principal Accounting Officer for safeguarding the public funds and assets for which they have charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those funds; and for the day-to-day operations and management of CGMA as a Public Corporation. In accordance with paragraph 3.1.2 of the government guidance document 'Managing Public Money' concerning how to handle public funds, the duties and standards of delivery normally associated with an Accounting Officer rest with the Chair.

In order to discharge this responsibility, the Chair ensures that CGMA maintains a sound system of risk management, governance, decision-making, financial management and internal control that supports the achievement of the Authority's policies, aims and objectives and that are set out in the relevant government guidance. The relationship between the Authority and its sponsoring department, Defra, is set out in a Framework Document signed by both parties on 15 December 2020 and published on 18 January 2021.

Whilst the role of Chair of the Authority is non-executive under the Covent Garden Market Act 1961, the Chair acted as Executive Chair from 9 July 2020 to 29 October 2021 in order to provide stability and managerial oversight for the Authority as new management and team structures were implemented following a programme of restructuring.

The Authority's Board

The Board of the Authority comprises the Chair and a maximum of seven other non-executive Members, appointed by the Secretary of State for Environment, Food and Rural Affairs, and in one case by the Secretary of State for Transport. Their appointment is usually fixed for a period of between two and four years and their remuneration is set by the Secretary of State. Subject to performance, the Secretary of State may decide to reappoint Board Members without competitive selection. However, the Ministerial Governance Code on Public Appointments specifies that: 'there is a strong presumption that no individual should serve more than two terms or serve in any one post for more than ten years. In exceptional cases, Ministers may decide an individual's skills and expertise are needed beyond such a tenure'. The appointments are intended to ensure a balance of skills and experience relevant to the various sectors of the business.

The Board meets at least ten times a year and receives reports from the management on key aspects of the Authority's business. It brings an independent judgement to its oversight of the direction, strategy and corporate objectives of the Covent Garden Market Authority. There is an annual assessment of the Board's performance and effectiveness.

In managing the affairs of the Authority, Members of the Authority have adopted a Code of Practice in regard to their behaviour. The Code adopted is that recommended by government for use by members of non-departmental public bodies and covers public service values, standards in public life, the role of Board Members, the role of the Chair, handling conflicts of interest, the personal liability of Board Members and the seven principles of public life.

A register of Members' declared interests is maintained at the Authority's offices and is available for inspection on application in writing to the Chair.

	Board	Audit & Risk	Remuneration
Total number of meetings	**28**	**4**	**5**
David Frankish	28/28	-	4/5
John Lelliott	25/28	4/4	3/5
Sara Turnbull	25/28	4/4	-
Victoria Wilson	28/28	-	5/5
Archie Robertson (left 30.06.2020)	9/9	1/1	-
Teresa Wickham (left 20.06.2020)	8/8	-	1/1
Sarah Calcutt (joined 05.05.2020)	25/26	-	4/4
Fiona Fell (joined 05.05.2020)	26/26	3/3	-
David Fison (joined 20.06.2020)	20/20	3/3	-

Audit & Risk Committee

The Audit & Risk Committee comprises four Members of the Board. Membership at the year-end consisted of John Lelliott (Chair), Sara Turnbull, Fiona Fell and David Fison. Members of the Executive attend meetings as well as other appropriate Members of the Authority. The Committee met four times during the year 2020/21. The Chair of the Committee provides a regular report to the Board concerning internal controls and risk management policies and procedures after each meeting.

The Committee is required to review internal accounting and financial procedures and ensure that these are satisfactory and to receive reports on the internal and external audit of the Authority's affairs. Both the internal and external auditors attend relevant Committee meetings, providing reports to the Committee on audit strategy, findings and recommendations.

The risk management matters that the Committee considers include both corporate and project related risk registers maintained by the Authority, internal and external health and safety reports, fraud and whistleblowing matters.

Remuneration Committee

The Remuneration Committee comprises three Members of the Board. Membership at the year-end consisted of Victoria Wilson (Chair), John Lelliott and Sarah Calcutt.

The Committee sets the remuneration policy for the Senior Management Team and recommends and monitors the level and structure of remuneration for all staff.

Redevelopment Project

During 2020/21 work has continued on building the new Market. In line with the Development Agreement, a Development Review Group meets monthly. This includes representatives from VSM and CGMA. In addition, there are regular site meetings covering different aspects of the redevelopment on either a weekly or monthly basis.

The Authority as a Going Concern

The Authority's Board is required to give an opinion as to whether there is a reasonable expectation that adequate resources exist for the Authority to continue in operational existence for the foreseeable future, being a minimum of 12 months from the date of signing of the audit report. Any such view must take account of the need for substantial investment in the Market's facilities, and the risks identified in the section 'Principal Risks and Uncertainties' below.

Settlement of disputes

The financial year 2020/21 saw a significant reduction in the Authority's financial and operational risk profiles, as the Authority reached a settlement on 26 November 2020 in a legal dispute with the CGTA and numerous tenants relating to the proposed redevelopment of the Market. The terms of this settlement included:

- amendment to the development plans (subject to a public consultation, which was duly completed);
- enhanced tenant fit-out contribution;
- security of tenure for existing tenants of the Fruit and Vegetable Market;
- concessionary rents for the duration of the development; and
- assurance of vacant possession in line with the revised development Master Programme.

In addition to the above redevelopment related terms, the Authority agreed a new, RICS-compliant service charge regime with the tenants during the accounting period, providing greater transparency and a fairer apportionment of costs.

The dispute with VSM was also settled on 14 October 2020, on terms that included postponing the deadline for vacant possession of the first phase for demolition to 18 January 2021 (and revising the Master Programme accordingly), settling all pre-existing claims, and amending the Development Agreement to provide greater control of pricing for future changes to the development programme or specification.

The tenant litigation is accordingly no longer a risk factor, and the redevelopment is able to proceed according to a mutually agreed programme. Vacant possession of the first phase for demolition was delivered in accordance with the settlement agreement by 18 January 2021, and demolition works were completed in due course thereafter.

COVID-19 and Defra grant-in-aid

COVID-19 had a significant impact on the global economy throughout the accounting period, especially the hospitality sector and government restrictions have significantly affected NCGM's tenants and therefore income levels and cash receipts for the Authority. The impact of Government restrictions became progressively clearer since the first national lockdown period started on 23 March 2020, to the point where it was possible to calculate the likely extent of the shortfall in the Authority's revenues. Receipts of rent from tenants ran at approximately 50% of what was due over the period. The Authority sought to address tenant hardships in a number of ways, including advising tenants on accessing Government funding, agreements to postpone rent and service charge payment obligations, service charge rebates to reflect reduced estate running costs, and a proposal to forgive a month's rent as an incentive to regularise arrears by entering into payment plans. The Authority's ability to enforce debt recovery was also severely restricted during this period, and the Authority adhered rigorously to Government guidance to commercial landlords in light of the COVID-19 pandemic.

To mitigate the dramatic impact on the Authority's cash flow arising from the COVID-19 restrictions, financial support was sought from Defra in the form of a grant-in-aid and £4.521m was made available as part of a wider support package committed by Defra in August 2020. As well as this amount, the package included £4.710m of further working capital support made available for draw down in relation to lost income as a result of the tenant settlement and £15.928m in relation to capital expenditure required to be incurred by the Authority in respect of the key terms of the tenant settlement. The total funds made available will (if required) be drawn down on a phased basis over the 7 years of the redevelopment programme, with the first of these taking place in 2020/21.

It was agreed with Defra that the annual amounts of funding as set out in the funding schedule must be drawn down in full in the relevant year, and that these amounts cannot be exceeded. However, it was also agreed that flexibility over the use of the funds was permissible and that amounts could therefore be used in different proportions to those set out in the original funding letter. The full £6.497m of support for 2021 was drawn down by the Authority. Only £1.092m was required to fund settlement costs (including £1m of tenant legal fees) and therefore the unutilised element of tenant deal costs totalling £0.884m was used for additional COVID-19 cash flow support. During 2022 a further £7.043m has been drawn down by the Authority, and similar flexibility has been applied in allocating these funds between tenant settlement capital costs, losses caused by the settlement and COVID-19 cash flow support.

It should be noted that a key reason why Defra considered itself able to support the Authority in this way was due to the Authority's status as a public corporation, which means that other forms of COVID-19 support were not available to it. The terms relating to the support package are such that only the £4.521m of COVID-19 cash flow support is to be returned to Defra and this will happen at a point when the Authority's income recovers. However, this relies on the Authority having sufficient resources to do so, and if this is not the case it has been acknowledged that the amounts will not need to be repaid within the redevelopment timeframe.

The economic position is more certain now than during 2020, and therefore although the ultimate impact of COVID-19 on the Authority and its tenants remains unquantifiable, income collection and occupancy levels have stabilised in the past year. Management have prepared budgets and forecasts for the next financial year as well as beyond in the form of a 5 year plan and long term business plan. This shows that the Authority should generate sufficient cash flows to continue in operational existence from a trading perspective for the foreseeable future. However, to the extent that the Authority will experience cash outflows in the coming years in relation to the tenant settlement (both in terms of reduced income and capital expenditure), the Authority is dependent on the committed support from Defra. As Defra has provided the support to date in line with the original agreement, management expect the remaining amounts will be provided in accordance with the agreement if required and therefore believe the Authority will have adequate resources to meet its obligations as they fall due, for a period of at least 12 months from the signing of the financial statements. As a result, the Authority continues to prepare the financial statements on a going concern basis.

Restructuring

The Authority underwent a programme of restructuring, with the redundancy of the roles of Chief Executive Officer, Property Director, Finance Director and Financial Controller. Further restructuring and redundancies took place in the Authority's Tenant Facing and Strategy, Partnerships and Communications teams. A planned final stage of restructuring in respect of the Authority's Finance team was deferred until the financial year 2021/22 to allow for the proper involvement of the Authority's new Head of Finance, in post from January 2021. This restructuring process realigns the Authority with its statutory purposes and creates a flatter, more agile management structure.

Defra Framework Agreement

A Framework Agreement, providing guidance as to the management of the relationship between the Authority and Defra as its sponsoring department within Government was agreed and duly signed by the Authority. It received Government Approval in January 2021.

Going concern

The Board has undertaken a rigorous process in respect of going concern. In forming a view, the Board had regard to the following:

- The commercial agreement with VSM and subsequent amendment to the Development Agreement.
- The contractual arrangements with VSM and their ability to complete the works. The contract with VSM provides the Authority with various forms of protection to mitigate the risk that VSM fail to fulfil their obligations to complete the redevelopment. These include the use of a separate development account, a performance bond, parent company guarantees and step in rights.
- The agreement with the tenants to settle the litigation relating to the redevelopment of NCGM.
- Projected cash flows and associated forecast financial statements taken from the updated projections in the Long-Term Business Plan, which covers the remaining period of the redevelopment to 2027 and extends further out to the end of the 2030/31 financial year.

- The requirement for the continued existence of the Authority as a public corporation pursuant to the Covent Garden Market Acts, and the fact that the Authority's statutory duties are, for financial purposes, confined to:

    - breaking even, taking one year with the next; and

    - building up a surplus for reinvestment for the benefit of the Market.

- The impact of the confirmed external financial support for CGMA forthcoming from Defra in relation to the settlement of the tenant litigation and the impact of the coronavirus pandemic, in accordance with the funding approval letter issued to the Board of CGMA and dated 12 August 2020.

- The lifting of the Government's restrictions due to COVID-19, and the return of the Market's trade to a more normal footing, with consequent beneficial impact on tenants' ability to meet liabilities under their leases.

- Reasonable expectation as to the availability of insurance cover in relation to some of the Authority's COVID-19 related losses.

The assessment shows that provided the impact of COVID-19 remains within the modelled scenarios, the Authority remains a going concern.

The Board believes the scenarios modelled are prudent and, taking into account support offered by Defra, is therefore of the opinion that there is reasonable assurance that it has adequate resources to continue in operational existence for the foreseeable future.

The System of Internal Control

The system of internal control is designed to manage to a reasonable level, rather than eliminate, all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2021 and up to the date of approval of the Report and Accounts, and accords with HM Treasury guidance.

The Authority's internal auditors operate in accordance with recognised internal auditing standards. They submit regular reports which include an independent opinion on the adequacy and effectiveness of the Authority's system of internal control in respect of the areas covered by that review, together with recommendations for improvement.

Risk Management

The risk management process within the Authority consists of the identification of risks facing the various sectors of the Authority's business, their classification in terms of likely occurrence and consequences. Priority is given to mitigating the highest risks.

The Executive team reviews risks on a regular basis both at an operational and strategic level. The principal risks and uncertainties facing the Authority are reviewed at each Audit & Risk Committee meeting and reports are made to the CGMA Board.

Principal Risks and Uncertainties

The Authority considers that the principal risks and uncertainties facing its business and strategy are:

Risk	Principal mitigations	Change in impact compared to previous year	Change in likelihood compared to previous year
Pressures on the workforce The Authority underwent an extensive programme of restructuring during 2020/21, to better position it to deliver on its statutory purpose. This led to a need to recruit, familiarise and upskill new team members. The COVID-19 pandemic also had an impact on working conditions, resulting in the need to adapt to remote working. These challenges increased the risk of lack of resource and single-point failure.	The restructuring processes resulted in a flatter, more agile structure. The Authority encouraged greater adaptability among existing team members and made use of external short-term contract resources where appropriate. A new remote working policy was implemented.	New	New
Tenant litigation This comprised a claim for breach of the leases said to arise from the ongoing redevelopment, and challenges to the Authority's claims for termination of those leases based on alleged procedural/public law defects in the original decision-making process.	An agreement has been entered into with the tenants in full and final settlement of the litigation. A new service charge regime was also agreed as part of this settlement and implemented immediately prior to the end of the 2020/21 financial year.	↓	↓
Reputation and confidence There is a risk to CGMA's reputation and the tenants' and other stakeholders' confidence in them as landlord should the project not be delivered to the agreed plan or if the quality of execution affects the market operation.	Settlement agreements with both the tenant litigants and the developer VSM have substantially rebuilt trust and working relationships with these key stakeholders.	↓	↓
Impact of Coronavirus Pandemic The Authority's exposure to sectors of the economy severely impacted by the pandemic through its tenants' reliance on those sectors (e.g. hospitality and events) creates a risk to its financial viability.	Defra have agreed to provide some financial support to CGMA in order to deal with the impact of the pandemic on its finances. The Authority is liaising very closely with its tenants and is offering some financial support in turn, based on an assessment of need and its own capacity to do so. More detail is included in the Authority as a Going Concern section on page 19.	New	New
Cashflow Costs associated with resolving disputes with the tenants and developer, and the impact of COVID-19 on tenants' abilities to pay their rent and service charge on time, resulted in cashflow challenges for the Authority. Increased risk of tenant insolvencies as a result of the COVID-19 pandemic.	As noted above, the Authority benefited from grant-in-aid funding from Defra. The Authority has provided rent and service charge rebates, and implemented proportionate credit control measures taking into account the UK Government code of conduct for commercial landlords in relation to the pandemic, including payment plans and (where appropriate) personal guarantees.	New	New

Risk	Principal mitigations	Change in impact compared to previous year	Change in likelihood compared to previous year
Insurance cover The Authority's business continuity insurers have resisted paying claims in respect of a range of pandemic-related losses. This is an industry-wide problem.	The Authority secured an interim payment post financial year end. It continues to ensure that insurers are provided with accurate and complete information to substantiate claims, and to press the case for further recovery.	New	New
Development partner relations The Authority's relationship with its development partner improved considerably as a result of a settlement agreement, and the risk is now tracked because the relationship is crucial to the success of the redevelopment project, rather than because future problems or disputes are considered likely.	A dispute as to who was liable for costs arising from delays to the Master Programme, which had to be extended from 377 weeks to 602 weeks, was settled during financial year 2020/21, on terms that postponed vacant possession deadline and ensured appropriate control of pricing in respect of future changes to programme or specification. The redevelopment project remains on track to the revised programme, and an effective working relationship has been maintained with the development partner.	↓	↓
Vacant possession The delivery of vacant possession so that works can start on site on time and the surplus land be released as intended.	Vacant possession of Phase 1 for demolition was delivered to the developer on time in January 2021, and the redevelopment project proceeded according to the agreed timetable as at financial year end.	↓	↓

Disclosure of Information to the Auditor

In the case of each person who was a Board Member at the time this report was approved:

- so far as that Board Member was aware there was no relevant audit information of which the Authority's auditor was unaware; and
- that Board Member had taken all steps that the Board Member ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish the Authority's auditor was aware of that information.

David Frankish, Chair, Covent Garden Market Authority

Foreword to the Accounts

History, Statutory Background & Principal Activities

CGMA is a statutory corporation established in 1961 by Act of Parliament. The Authority was initially charged with the duty of providing the horticultural wholesale Market facilities then located at Covent Garden WC2, and improving them.

The Authority recommended that the Market should be relocated and a scheme was devised for its transfer to a new site at Nine Elms SW8. These proposals were approved by Parliament in 1966 and land was purchased on which the new Market facilities were built.

The Market moved to the current site in 1974 and currently comprises around 165 tenant companies, of which the majority are wholesale and distributive tenants in the horticultural sector. There are a number of other tenants, including importers and firms supplying foodstuffs and catering and other services.

The capital cost of the new Market was funded by Government loans, the final balance of which was repaid in March 1990. The freehold title of the land at Nine Elms is vested in the Authority together with a leasehold interest until 2073 from Network Rail over the area beneath the railway viaduct crossing the site. The site is currently undergoing a wholesale redevelopment to create a renewed Market estate.

In addition to providing facilities, such as warehouse and office premises, market halls, roads and vehicle parks, the Authority undertakes the supply of services needed by the Market community: cleaning and waste disposal, energy supply, site security, traffic control and the maintenance of buildings, plant and equipment. Expenditure on these services is recovered from Market tenants via a RICS-compliant service charge which is reviewed annually in line with costs and takes into consideration the advice of tenant representatives. The provision of services is through commercial contracts placed with specialist suppliers.

Business Review

An operating loss before redevelopment activity costs of £1.9m was generated during 2020/21, compared to a corresponding operating loss of £0.3m for 2019/20. Contributory factors to the increased losses of £1.6m include:

- A reduction of £1.7m in recoveries from tenants, due to reduced trading resulting from the significant impact on hospitality sector supply chains of successive lockdowns.
- Rental income from tenants was down by £1.2m, due to rent rebates given to tenants (£0.3m) and the change in lease terms from the settlement agreement.
- A reduction in Sunday Market income of £0.5m over the prior year due to national lockdowns preventing the Sunday Market from operating and ongoing COVID-19 restrictions suppressing trading levels.
- Offset by a reduction in market operating costs (maintenance, cleaning and power) of £1.3m reflecting the reduced trading activity on the Market.

Redevelopment project costs increased by £0.2m compared to the prior year, following the settlement of the litigation actions during the year, offset by £1.0m grant receipt from Defra.

Taxation charges reduced year-on-year by £2.5m as the prior year included a provision of £1.9m for corporation tax associated with the uncertainty over whether CGMA will be able to extend the statutory reinvestment period in relation to the provisional rollover relief claims on the Northern site land sale in August 2017.

The loss for the financial year after tax was £3.9m.

Pension Fund

The deficit relating to the defined benefit pension plan increased year-on-year by £0.8m to £1.8m (2019/20: £1.0m). The Authority paid £0.2m of additional employer contributions to the Pension Fund designed to eradicate this deficit over time. In addition, the plan benefitted from investment income of £0.3m over the year. Market conditions over the year have, however, been demanding and as a result the financial assumptions used in the calculations were more stringent resulting in a £1.0m increase in the pension liabilities. Also, there was a further increase of £0.3m in the liabilities as the Authority made provision for the cost of GMP equalisation which is required by recent legislation.

Net Cash Flow

The level of cash and cash equivalents for the year decreased by £42.1m to £44.3m (2019/20: £86.4m).

This decrease was attributable to the following factors:

- A net cash inflow relating to operating activities of £0.5m (2019/20: £2.5m)
- A net cash outflow relating to investment in capital expenditure of £3.0m (2019/20: £2.7m)
- £39.6m was paid to VSM during the year to fund amounts paid by them in the course of the development. See note 14 for further details.

The total figure as at 31 March 2021 of £44.3m includes:

£38.7m in respect of monies held for the progression of the development works, however, their release is conditional on the terms in the Development Agreement being met.

£2.0m (2019/20: £2.2m) in respect of monies held on behalf of tenants.

Capital Expenditure & Fixed Assets

Capital expenditure during the year totalled £3.0m (2019/20: £7.0m), relating exclusively to construction in progress at the year-end on incomplete development assets.

To reflect the fact that most of the new Market has been paid for in the form of land disposals whilst construction is still in progress, £26.6m has been recognised as a debtor balance (2019/20: £26.6m) from VSM, as per the table in Note 13 to the accounts.

Key Performance Indicators

Operational key performance indicators (KPI) are included in the Highlights on page 8. Additionally, the Authority also monitors profitability, rental income, weekly cashflows and the delivery of the redevelopment project.

Financial Risk Management

Financial Risk Management details of the Authority's financial instruments and its policies with regard to financial risk management are given in note 21 to the Accounts.

Dividends

The Authority paid no dividends during the year (2019/20: £nil).

Political & Charitable Donations

The Authority does not make political donations. During the year no charitable or other donations were made (2019/20: £27,500).

Business Prospects

The Authority's Board maintains its belief that the Market must change if it is to continue to provide a high level of service to wholesalers and London businesses in the 21st century. The Coronavirus Pandemic (COVID-19), and particularly the ways in which it affected the fruit, vegetable and flower supply chains, has underscored that belief.

The Market entered this financial year with the country shrouded in uncertainty. The Coronavirus Pandemic and subsequent National Lockdown began on 23 March 2020 and impacted the market's operation throughout the 12 months covered by this report. Many of our tenants supply members of the hospitality and events industries, which were effectively closed down for extended periods during two successive national lockdowns. Our Flower Market was closed throughout the lockdown periods, as its trade did not meet the government's criteria to allow face-to-face operations to continue and the tenants have endured a very difficult commercial period.

Although the country has now emerged from its COVID-19 lockdowns, the impact of the pandemic inevitably continues to be felt. The London food scene has recovered to a certain extent, but until workers return en masse to their workplaces on a full-time basis and the tourism industry recovers to pre-COVID levels, the hospitality sector will not be in a position to purchase the same volume of fruit, vegetables, fine food or flowers as it did prior to the pandemic first hitting these shores.

In the Fruit and Vegetable Market occupancy of core trading space decreased to 88 per cent (92% in prior year). Tenants were supported through the pandemic by a range of COVID-19 related emergency measures provided by both CGMA and HM Government. Significant trading challenges continue and it is likely that the full impact of COVID-19 on our tenants was still to manifest itself at the time of writing. CGMA continues to work collaboratively with our tenant community to find ways to navigate what continues to be an exceptionally difficult trading environment.

The Flower Market saw a decrease in occupancy from 100% to 96% during the year to 31 March 2021. The first COVID-19 lockdown forced the Flower market to close for a 79-day period, with most tenants unable to trade. The second lockdown was even longer and having lost their primary spring/summer trading period, the ongoing restrictions to events such as weddings and funerals and the closure of the hospitality sector continued to challenge our Flower Market traders throughout the financial year. Although the lifting of the last lockdown brought some respite, trade remained well below average through the early part of the summer. The continued restrictions and advised caution over the recent holiday period means we are not expected to rebound to previous levels for some time to come.

The Food Exchange's occupancy totalled 87% at year-end (compared to 95% in the previous year) as some tenants chose to relinquish office space and demand was significantly disrupted by the pandemic. A growing enquiry list indicates that occupancy levels will recover when restrictions subside. Now into its fourth year, this is a marker of CGMA's success in attracting new, innovative food businesses. The most obvious example is the opening of Mission Kitchen, a brand new kitchen and office space for London's food entrepreneurs, which took place two months after the financial year-end. The wider trend toward more flexible, modern office accommodation as a result of the pandemic looks set to remain as part of the new commercial landscape and the prospects for this asset are very strong.

Operating in the UK, COVID-19 has not been our only obstacle. As we entered the second lockdown, Brexit brought further and ongoing challenges. As the world of commerce gradually began to function again, some wider issues surfaced, such as a serious shortage of freight and delivery drivers. There are added costs attached to each consignment imported from Europe too, which impacts our tenants' trade.

As we reflect on 47 years of successful trading since NCGM has been based in Nine Elms the Authority remains confident of the future. It is hard to envisage any year being more challenging than this one, yet we have come through it with strengthened resolve, a clear direction as a market, and our traders have once again proved their value as an integral link in the food and flower supply chain for London and the South East.

5 Year Summary of Financial Statements

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	**2020/21 £'000**
1 Gross income including finance income	17,793	18,057	17,734	17,489	**14,720**
2 Gross expenditure including depreciation	(16,413)	(16,828)	(15,776)	(17,737)	**(16,655)**
3 (Deficit)/Surplus before redevelopment activity	1,380	1,229	1,958	(248)	**(1,935)**
4 Disposal of Assets	-	114,432	-	77	**-**
5 Redevelopment project costs not capitalised	(686)	(257)	(271)	(2,371)	**(2,518)**
Gain on completion of exchange transaction	-	-	-	490	**-**
6 (Deficit)/Surplus before taxation	694	115,404	1,687	(2,052)	**(4,453)**
7 Corporation tax & deferred tax	1,400	(13,276)	(323)	(2,030)	**478**
8 Net profit/(loss) after accounting for tax	**2,094**	**102,128**	**1,364**	**(4,082)**	**(3,975)**
9 Capital & reserves	**8,915**	**75,140**	**76,314**	**73,463**	**68,968**

Independent Auditor's Report to the Members of Covent Garden Market Authority

Opinion

We have audited the financial statements of Covent Garden Market Authority (the 'Authority') for the year ended 31 March 2021 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Covent Garden Market Acts 1961 to 1977.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Emphasis of matter – financial support from Defra

We draw attention to note 1a of the financial statements, which describes the Authority's reliance on financial support committed by Defra. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the 60th Report & Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Members are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Covent Garden Market Acts 1961 to 1977 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Members' remuneration specified by law are not made; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Members

As explained more fully in the Members' responsibilities statement set out on page 15, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Authority'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 Members either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the Authority's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We obtained an understanding of the Authority's policies and procedures in relation to compliance with relevant laws and regulations. We also drew on our existing knowledge of the Authority's industry and regulation.

We understand the Authority complies with requirements of the framework through:

- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change;

- Requiring all employees to read and follow the compliance policies and procedures of the business and attend annual refresher training and also ad-hoc training as requirements change; and

- The Board's regular review with management, who have close involvement in the day-to-day running of the business, of issues arising meaning that any litigation or claims would come to their attention promptly.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Authority's ability to conduct business, and/or where there is a risk that failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the Authority:

- The legislative requirements of the Covent Garden Market Acts 1961 to 1977;

- The Direction given by the Secretary of State for the Department for Environment, Food and Rural Affairs in respect of the annual accounts ('the Direction') and in complying with the Direction, where relevant the requirements of the Companies Act 2006 and applicable international accounting standards in respect of the preparation and presentation of the financial statements;

- Health and Safety legislation;

- Laws and regulations in relation to commercial leases.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- We enquired with the Authority's management as to the existence of litigation;

- We reviewed board meeting and audit and risk committee meeting minutes and Defra correspondence with the Authority for any evidence of non-compliance; and

- We obtained written representations regarding issues arising from our work where appropriate.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements through manual journal entries and incorrect recognition of revenue.

The procedures carried out to gain evidence in the above areas included;

- Testing of a sample of revenue transactions to underlying documentation; and

- Testing of manual journal entries, selected based on specific risk assessments applied for significant components based on the Authority's processes.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Members of the Authority to assist them in meeting their responsibilities to the Secretary of State for Environment, Food and Rural Affairs, in accordance with the Covent Garden Market Acts 1961 to 1977 and for no other purpose. Our audit work has been undertaken so that we might state to the Members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson

Andrew Bond
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY
28 March 2021

Income Statement

for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Revenue	2	12,837	16,445
Grant income	1k	1,000	-
Government cost of capital subsidy	1n	880	980
		14,717	17,425
Operating expenditure			
Operating costs (excluding staff costs)	3	(11,219)	(12,526)
Board Members and staff costs	10	(2,271)	(1,990)
Depreciation	12	(1,114)	(1,133)
Government cost of capital charge	1n	(2,030)	(2,030)
		(16,634)	(17,679)
Operating loss (before redevelopment activity)		(1,917)	(254)
Profit on disposal of assets	4	-	77
Gain on completion of exchange transaction	12	-	490
Redevelopment project costs not capitalised	5	(2,518)	(2,371)
Operating loss (after redevelopment activity)		(4,435)	(2,058)
Finance income	6	3	64
Finance costs	9	(21)	(58)
Loss before taxation		(4,453)	(2,052)
Taxation	11	478	(2,030)
Loss for the financial year		(3,975)	(4,082)

Statement of Comprehensive Income

for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Loss for the financial year		**(3,975)**	(4,082)
Other comprehensive income for the year			
Actuarial (loss) on defined benefit pension plan	15	**(642)**	1,520
Income tax associated with actuarial gain/(loss) on pension liability	16	**122**	(289)
		(520)	1,231
Total comprehensive income for the year		**(4,495)**	(2,851)

Statement of Financial Position

as at 31 March 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**51,345**	49,499
Trade and other receivables	13	**8,720**	13,062
Deferred tax assets	16	**1,253**	523
Total non-current assets		**61,318**	**63,084**
Current assets			
Trade and other receivables	13	**35,061**	31,018
Cash and cash equivalents	14	**44,340**	86,380
Total current assets		**79,401**	**117,398**
Total assets		**140,719**	**180,482**
Equity and liabilities			
Equity			
Reserve fund		**400**	400
Retained earnings		**68,568**	73,063
Total equity		**68,968**	**73,463**
Non-current liabilities			
Deferred tax liabilities	16	**1,818**	1,312
Provisions	18	**12,631**	13,276
Employee retirement benefit obligations	15	**1,750**	955
Total non-current liabilities		**16,199**	**15,543**
Current liabilities			
Trade and other payables	17	**52,931**	88,000
Provisions	18	**1,167**	1,614
Current tax liabilities		**1,454**	1,862
Total current liabilities		**55,552**	**91,476**
Total liabilities		**71,751**	**107,019**
Total equity and liabilities		**140,719**	**180,482**

The accounts were approved by the Authority's Board and were signed on its behalf on 24 March 2022 by:

D Frankish
Executive Chair

J Lelliott OBE
Board Member and Chair of Audit, Risk & Assurance Committee

Statement of Changes in Equity

for the year ended 31 March 2021

	Reserve fund £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2019	400	**75,914**	**76,314**
Loss for the year	-	(4,082)	(4,082)
Other comprehensive income	-	1,231	1,231
Total comprehensive income for the year	-	(2,851)	(2,851)
Balance at 31 March 2020	400	**73,063**	**73,463**
Loss for the year	-	(3,975)	(3,975)
Other comprehensive income	-	(520)	(520)
Total comprehensive income for the year	-	(4,495)	(4,495)
Balance at 31 March 2021	400	**68,568**	**68,968**

As per the Covent Garden Market Acts 1961 - 1977, the Reserve fund is maintained as required by the Authority subject to directives issued by the Secretary of State with approval of the Treasury and is regarded as an equivalent of share capital in these accounts.

Statement of Cash Flows

for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Cash flow from operating activities	19	578	(2,474)
Income taxes paid		(30)	(38)
Net cash inflow/(outflow) from operating activities		548	(2,512)
Cash flow from investing activities			
Interest received		3	64
Purchases of property, plant and equipment		(2,960)	(2,741)
Proceeds on disposal of property, plant and equipment		-	77
Payments against development creditor		(39,631)	
Net cash outflow from investing activities		(42,588)	(2,600)
Net decrease in cash and cash equivalents		(42,039)	(5,112)
Cash and cash equivalents at beginning of year	14	86,380	91,492
Cash and cash equivalents at end of year	14	44,340	86,380

The payments against development creditor represent amounts paid in the course of the development by the development partner using funds held on behalf of VSM under the terms of the Development Agreement. See note 14 for further details.

Notes to the Accounts for the year ended 31 March 2021

1. Accounting policies

A summary of the principal accounting policies is set out below.

a. Basis of preparation

The accounts are prepared in accordance with IFRSs issued by the International Accounting Standards Board and are in a form determined by the Secretary of State for Environment, Food and Rural Affairs with the approval of HM Treasury in accordance with Section 46 of the Covent Garden Market Act 1961 as amended by Section 3(7) of the 1977 Act. Without limiting the information given, the accounts meet the requirements of the Companies Act 2006.

The Accounts for 2020/21 have been prepared in accordance with the Direction provided by Defra and the legislative requirements of the Covent Garden Market Act 1961 as follows:

i. The Authority shall, as soon as possible after the end of each of its accounting periods, make a full report to the Secretary of State on the exercise and performance by it of its powers and duties during that period.

ii. The Authority shall keep proper accounts and proper records in relation to the accounts and shall prepare in respect of each accounting period a statement of accounts in such form as the Secretary of State, with the approval of HM Treasury, may direct, being a form which shall conform to the best commercial standards.

iii. The accounts of the Authority shall be audited by auditors to be appointed by the Authority with the approval of the Secretary of State, and a person shall not be qualified to be so appointed unless he is a member of one or more of the following bodies:

- The Institute of Chartered Accountants in England & Wales
- The Institute of Chartered Accountants in Scotland
- The Association of Chartered Certified Accountants
- The Institute of Chartered Accountants in Ireland
- Any other body of accountants established in the United Kingdom and for the time being recognised for the purposes of Paragraph (a) of Subsection (i) of Section 161 of the Companies Act 1948 by the Board of Trade.

iv. The report required by subsection (i) of this section for any accounting period shall set out any direction given to the Authority under Sections 37, 42, 44 or 45 of the Covent Garden

Market Act 1961 (as amended) during that period and shall include such information relating to the plans, and past and present activities, of the Authority and the financial position of the Authority, as the Secretary of State may from time to time direct.

v. There shall be attached to the said report for each accounting period a copy of the statement of the accounts in respect of that period and a copy of any report made on the statement by the auditors.

vi. The Authority shall furnish to the Secretary of State such returns or other information relating to the property or activities or proposed activities of the Authority as the Secretary of State may from time to time require, and shall afford him facilities for the verification of information furnished by them in such manner and at such times as he may require.

vii. The Secretary of State shall lay a copy of each report made to him under subsection (i) of this section and of the statement attached thereto before each House of Parliament, and copies of each such report and statement shall be made available to the public at a reasonable price.

Going Concern

The Authority's Board is required to give an opinion as to whether there is a reasonable expectation that adequate resources exist for the Authority to continue in operational existence for the foreseeable future, being a minimum of 12 months from the date of signing of the Auditor's Report. Any such view must take account of the need for substantial investment in the Market's facilities, and the risks identified in the section 'Principal Risks and Uncertainties' in the Governance Statement on page 15.

COVID-19 had a significant impact on the global economy throughout the accounting period, especially the hospitality sector and government restrictions have significantly affected NCGM's tenants and therefore income levels and cash receipts for the Authority. The impact of Government restrictions became progressively clearer since the first national lockdown period started on 23 March 2020, to the point where it was possible to calculate the likely extent of the shortfall in the Authority's revenues. Receipts of rent from tenants ran at approximately 50% of what was due over the period. The Authority sought to address tenant hardships in a number of ways, including advising tenants on accessing Government funding, agreements to postpone rent and service charge payment obligations, service charge rebates to reflect reduced estate running costs, and a proposal to forgive a month's rent as an incentive to regularise arrears by entering into payment plans. The Authority's ability to enforce debt recovery was also severely restricted during this period, and the Authority adhered rigorously to Government guidance to commercial landlords in light of the COVID-19 pandemic.

To mitigate the dramatic impact on the Authority's cash flow arising from the COVID-19 restrictions, financial support was sought from Defra in the form of a grant-in-aid and £4.521m was made available as part of a wider support package committed by Defra in August 2020. As well as this amount, the package included £4.710m of further working capital support made available for draw down in relation to lost income as a result of the tenant settlement and £15.928m in relation to capital expenditure required to be incurred by the Authority in respect of the key terms of the tenant settlement. The total funds made available will (if required) be drawn down on a phased basis over the 7 years of the redevelopment programme, with the first of these taking place in 2020/21.

It was agreed with Defra that the annual amounts of funding as set out in the funding schedule must be drawn down in full in the relevant year, and that these amounts cannot be exceeded. However, it was also agreed that flexibility over the use of the funds was permissible and that amounts could therefore be used in different proportions to those set out in the original funding letter. The full £6.497m of support for 2021 was drawn down by the Authority. Only £1.092m was required to fund settlement costs (including £1m of tenant legal fees) and therefore the unutilised element of tenant deal costs totalling £0.884m was used for additional COVID-19 cash flow support. During 2022 a further £7.043m has been drawn down by the Authority, and similar flexibility has been applied in allocating these funds between tenant settlement capital costs, losses caused by the settlement and COVID-19 cash flow support.

It should be noted that a key reason why Defra considered itself able to support the Authority in this way was due to the Authority's status as a public corporation, which means that other forms of COVID-19 support were not available to it. The terms relating to the support package are such that only the £4.521m of COVID-19 cash flow support is to be returned to Defra and this will happen at a point when the Authority's income recovers. However, this relies on the Authority having sufficient resources to do so, and if this is not the case it has been acknowledged that the amounts will not need to be repaid within the redevelopment timeframe.

The economic position is more certain now than during 2020, and therefore although the ultimate impact of COVID-19 on the Authority and its tenants remains unquantifiable, income collection and occupancy levels have stabilised in the past year. Management have prepared budgets and forecasts for the next financial year as well as beyond in the form of a 5 year plan and long term business plan. This shows that the Authority should generate sufficient cash flows to continue in operational existence from a trading perspective for the foreseeable future. However, to the extent that the Authority will experience cash outflows in the coming years in relation to the tenant settlement (both in terms of reduced income and capital expenditure), the Authority is dependent on the committed support from Defra. As Defra has provided the support to date in line with the original agreement, management expect the remaining amounts will be provided in accordance with the agreement if required and therefore believe the Authority will have adequate resources to meet its obligations as they fall due, for a period of at least 12 months from the signing of the financial statements. As a result, the Authority continues to prepare the financial statements on a going concern basis.

b. Critical accounting judgements and key sources of estimation uncertainty

The preparation of Accounts in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The main areas of estimation / judgement are provided below.

i. Recoverability of trade and other receivables

The trade and other receivables balances in the Authority's statement of financial position relate to numerous customers with small individual balances.

A provision for impairment of trade receivables is established using an expected loss model. Expected loss is calculated from a provision matrix based on expected lifetime default rates and estimates of loss on default. The carrying amount of the Authority's trade receivables in these accounts, net of provisions, is £2.198m (2019/20: £1.197m).

All individual other receivables balances are reviewed on a month by month basis. Whilst every attempt is made to ensure that any bad debt provision is as accurate as possible, there remains a risk that the provisions do not match the level of debt which may ultimately prove to be uncollectible. The carrying amount of the Authority's other receivables in these accounts, net of provisions, is £1.256m (2019/20: £0.273m).

ii. Post retirement benefits

The determination of the pension cost and defined benefit obligation of the Authority's defined benefit pension scheme depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth, mortality and expected return on scheme assets.

See notes 1i and 15 for further details.

The main areas of judgement are provided below.

iii. Provision for taxation

In providing for tax due, the Authority has made judgements regarding the availability of certain deductions for tax purposes. The key area of judgement relates to the Authority's application for rollover relief on the sale of the Northern Site. We have received correspondence from HMRC with regard to the rollover relief, which clarifies the guidance on the application for an extension and the timelines associated with the qualifying period. They confirmed that there would be no assessment on the extension of the rollover relief period until 31 March 2022. As such there is uncertainty whether HMRC will agree to extend the rollover relief reinvestment period as well as the Authority's ability to incur sufficient qualifying expenditure within any timeframe permitted. Due to the additional uncertainty around available cash flow for reinvestment as a result of the impact of COVID-19 and the tenant settlement, a provision of £1.900m is still being recognised, representing the potential tax impact should rollover relief not be fully available.

iv. Accounting for the development

Judgement was required as to whether the construction agreement and land sales represent two separate transactions or one linked "exchange transaction". Having considered both the legal position and substance of the arrangements, management have concluded that all indicators suggest that it is a linked transaction and therefore the Authority has accounted for it as such.

v. Recognition of provisions and reimbursement asset in relation to the ongoing litigation

As disclosed in note 18, during the year the Authority reached settlement with the tenants and VSM in relation to the ongoing litigation and dispute respectively, with those parties. Management's estimate of the total economic outflow required to settle the obligation was based on the terms of the settlement agreement. Some of these costs were fixed in nature and have been included at the value stipulated in the agreement. Certain other terms of the settlement require management to undertake specific fit-out works for which a contractor quote has still not yet been finalised. As a result, management have made their best estimate of what this quote may be to arrive at the year-end provision.

As disclosed in the same note, Defra has provided financial support to the Authority to enable it to reach the settlement with the tenants. Management was required to make a judgement over the timing of this support being received. No estimation of the quantum of the debtor was required as the asset represents an equal and opposite amount to the corresponding provision.

vi. Recognition of the exchange transaction

Accounting standards require that an exchange transaction is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. From review of the cash-flow calculations in respect of the market, it has been considered highly likely that the transaction has commercial substance and has been dependably calculated. The rationale being that the cash flows to be derived from the completed market are substantially different to those from the sale of the surplus land.

There are two possible amounts at which to account for the acquisition of the completed market in an exchange transaction being the fair value of the asset received (the completed market) or the fair value of the asset given up (the surplus land). The risk, timing and amount of the cash flows of the asset that CGMA is receiving differs from the risk, timing and amount of the cash flows of the asset that CGMA is transferring. As per IAS 16 the standard takes the view that if the fair value of the asset given up can be based on a reliable estimate it is preferred over the fair value of the asset received, unless the fair value of the asset received is more clearly evident. No further guidance is provided around 'more clearly evident' and as such this is a judgemental area. Management have concluded that the fair value of the asset received is "more clearly evident" as the fair value of the asset received is more reliable to measure and there is less subjectivity over the value of the market due to the expected cash flows being identifiable. This is in contrast to the value of the asset given up (the land) which is subject to significant external factors, has significant variability over time and is also not certain.

vii. Valuation attributable to the asset received

The fair value of the market was valued externally by Gerald Eve based upon a discounted thirty-year cash-flow model incorporating a terminal value. The valuation has been performed in accordance with the Valuation Practice Statements and Practice Guidance contained in the Valuation – Professional Standards, incorporating the International Valuation Standards of the Royal Institute of Chartered Surveyors. The valuation was completed on the basis of special assumptions: (i) the market buildings are completed to the development specification and the market is operating as a trading entity; and (ii) the valuation was carried out on the basis of existing use. As a result of the revised master programme in respect of the redevelopment and the extended timelines, Gerald Eve had updated their valuation as at 31 March 2021 to take into account any adjustments to income and cost expectations anticipated.

The Authority has currently recognised costs within the financial statements in relation to the work performed to date. The value of construction in progress and completed assets in relation to the redevelopment are based on an estimate of the total actual costs to complete the development and the actual costs incurred by the year end, taking into account the fair value of the development assets capitalised and the remaining fair value of assets to be capitalised. The estimate of the total actual costs to complete the development and the actual costs incurred by the year end is provided by our development partner. The judgement and estimate relates to the accuracy of the overall projected total costs and the stage of completion.

See also note 12.

c. New Standards and Interpretations

A number of new International Financial Reporting Standards ('IFRS') have recently been issued or are due to be issued shortly which will have an effect on the Authority. Below is a brief description of the provisions of each new or planned IFRS and an overview of the likely effect on the Authority.

The full impact on the Authority should be considered in detail in the near future.

The following new International Financial Reporting Standards ('IFRS') were effective for the year ended 31 March 2021:

- Amendments have been made to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to the definition of material. The amendments clarify the definition of what is material to the financial statements and how to apply the definition.   Amendments have also been made to IFRS 16 in relation to Covid-19 Related Rent Concessions. There are no other new or amended standards that are considered to have a material impact on the company.

d. Property, plant and equipment

i. Properties

The Authority adopted the transitional arrangements available under IFRS 1 'First time adoption of International Financial Reporting Standards', whereby the book values of properties, previously stated at professional valuations at 1 April 1977 plus subsequent additions at cost, less disposals and accumulated depreciation, are now treated as being carried at cost less accumulated depreciation and provision for impairment.

The original freehold and leasehold buildings are depreciated on a straight-line basis from 1 April 2003, reflecting the remaining useful life of the buildings of between 3 and 20 years. The newly constructed market assets are depreciated on a straight-line basis over 50 years for buildings, 15 years for mechanical and electrical and 3 to 8 years for plant and equipment from the point that they are complete. The land element is not depreciated.

ii. Plant and equipment

Plant, equipment and motor vehicles are stated at cost less accumulated depreciation and provision for impairment. These assets are depreciated on a straight-line basis using various rates which reflect the expected useful life of the assets. These range from three to eight years.

iii. Development assets and construction in progress

The Development Agreement provides a schedule for delivery of new buildings, coupled with the mechanisms for payment, primarily being the transfer of land surplus to CGMA's requirements for the new market, to the developer. This arrangement represents an exchange transaction. IAS 16 requires that the cost of an item of property, plant and equipment in an exchange transaction is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The Authority has assessed that the transaction has commercial substance and can be reliably measured. The assets are therefore measured at their fair value, representing the fair value of the assets received. The fair value of the market has been calculated by a third-party valuer, using a recognised valuation technique and on the basis of existing use.

As a result of the revised master programme in respect of the redevelopment and the extended timelines, Gerald Eve had updated their valuation as at 31 March 2021 to take into account any adjustments to income and cost expectations anticipated. The transaction is viewed as not one exchange transaction but multiple smaller exchange transactions, which take place each time CGMA receives assets throughout the development programme.

The cost (being the fair value at the date of exchange) of any one asset is considered to crystallise at the date that CGMA transfers the asset to completed assets and valuation movements are only recognised at this point in time. Any assets completed before the change in valuation will therefore not be affected by an uplift and the share of the total valuation uplift that relates to previously completed assets is not recognised.

The Authority recognises costs within the financial statements in relation to the work performed to date based upon assessments of the stage of completion, as provided by the development partner. The carrying value of assets are based on an estimate of the total actual costs to complete the development and the actual costs incurred by year end, taking into account the fair value of the development assets capitalised and the remaining fair value of assets still to be capitalised. At year end completed assets are stated at cost less accumulated depreciation and provision for impairment with the assets being depreciated on a straight-line basis. Assets under the course of construction are carried at cost less impairment and include professional fees, costs of construction and directly attributable staff costs. Depreciation of these assets commences when they are capable of use.

e. Impairment of assets

At each statement of financial position date, the members review the carrying amounts of the Authority's tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Authority estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case conflicts the impairment loss is treated as a revaluation decrease.

Impairment losses recognised for cash-generating units are charged pro rata to the other assets in the cash-generating unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately.

f. Profit or loss on disposal of assets

Profit or loss on disposal of assets is calculated as the proceeds, less carrying amount and selling costs. In the case of exchange transactions the proceeds comprises the fair value of assets received plus any cash amounts. Profit or loss on disposal of assets also includes any overage amounts due in relation to the asset sold, provided the conditions for receipt have been met and it is probable that amounts will be received.

g. Reserve fund

The Authority is under an obligation to maintain a Reserve fund in accordance with the provisions of the Covent Garden Market Acts. The sums to be carried to the credit of the Reserve fund and the application of this Fund are to be such as the Authority may determine (subject to directions given by the Secretary of State with the approval of the Treasury).

h. Retained Earnings

Represents the cumulative profits and losses less distributions to Defra and transfers to Reserve fund.

i. Pensions

The Authority operates pension plans for the benefit of the majority of its employees, including both defined contribution and defined benefit plans.

In relation to its defined contribution plans, the Authority makes contributions to independently administered plans, the contributions being recognised as an expense when they fall due. The

Authority has no legal or constructive obligation to make any further payments to the plans other than the contributions due.

In relation to its defined benefit plans, the Authority recognises in its statement of financial position the present value of its defined benefit obligations less the fair value of plan assets. The current service cost is charged against operating profit. Interest on the scheme liabilities net of the interest on scheme assets is included in the finance costs.

The defined benefit obligation is calculated at each period end by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension liabilities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected in the statement of comprehensive income in the period in which they arise.

j. Deferred taxation

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Accounts.

Deferred tax is determined using tax rates and laws that have been enacted (or substantially enacted) by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

k. Grants

Revenue grants are not recognised until there is reasonable assurance that the Authority will comply with the performance conditions attaching to them and that the grants will be received. These grants are recognised in the Income Statement on a systematic basis over the periods in which the Authority recognises as expenses the related costs for which the grants are intended to compensate.

Government grant funding received from Defra to enable CGMA to meet the terms of the tenant settlement is repayable in the form of future distributions to be made by the Authority to Defra at a time when the Authority is capable of doing so. There are no agreed repayment terms and no requirement to pay if the Authority does not return to profit within the development timetable. Amounts are recognised in the Income Statement in line with related expenditure. See note 5 for details of grants recognised in the year.

l. Revenue

Revenue is measured at the transaction price received or receivable allocated to the performance obligation satisfied and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. As the expected period between transfer of a promised good or service and payment from the customer is one year or less then no adjustment for a financing component has been made.

Sales of goods are recognised when goods are delivered and control has passed. Revenue arising from the provision of services is recognised when and to the extent that the customer simultaneously receives and consumes the benefits of the Authority's performance.

IFRS 15 Revenue from Contracts is applicable to all the Authority's revenue streams but excludes rental income. This income is generated from tenant leases and is outside of the scope of the new standard. The individual accounting policies for each major income stream are as follows:

i. **Rent, sales of services and other income**

Revenue comprises rents, recoveries from tenants for costs per the terms of the service charge regime, vehicle access charges, income from the Sunday Market operation and other miscellaneous sources such as costs reimbursed and advertising revenue.

Rent is received quarterly in advance and recognised in the period to which it relates over the course of the lease and at a level determined per a rent review exercise conducted every five years in accordance with lease contracts.

Service charges are recognised in the period to which they relate at a level determined per an annual forward budgeting exercise, with a rebate provided to tenants at the financial year end based on actual costs incurred.

Recharges of electricity supplies provided are recognised in the period to which they relate based on actual costs incurred.

Waste disposal charges are recognised in the period to which they relate. Charges for certain types of waste are recognised based on actual activity from tenants and costs incurred from waste disposal providers. Other types of waste costs are managed within the service charge regime described above.

Vehicle access charges are recognised in the period to which they relate. These are charged on either an annual fee (permit access) or activity (casual entries to the NCGM estate) and according to charges revised annually by the landlord.

Revenue relating to the Sunday Market is recognised in the period to which it relates based on actual activity in accordance with the contract in place with Saunders Markets Limited.

Recharges of certain costs associated with the redevelopment project are recognised in the period to which it relates based on costs incurred.

ii. Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

m. Financial instruments

Financial assets and financial liabilities are recognised on the Authority's statement of financial position when the Authority becomes party to the contractual provision of the instrument.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Authority provides money or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities expected to be greater than 12 months after the statement of financial position date. These would be classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the Authority do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss. Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short-term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

ii. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits held with banks.

Included within cash and cash equivalents is a balance which comprises bank accounts controlled by the Authority but for which there is no beneficial interest. The monies are held for the progression of the development works, however, their release is conditional on the conditions in the Development Agreement being met. The Authority has recognised a liability of an equivalent amount to reflect the nature of this arrangement. See note 17 for further information.

iii. Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method.

n. Cost of capital

Defra levies a cost of capital charge on the Authority in accordance with guidance set out in the Treasury Consolidated Budgeting Guidance. The charge represents the notional cost to the government of holding assets. In 2020/21 the charge was calculated by reference to a valuation by DVS - Valuation Office Agency as at 31 March 2009 and a 3.5% rate of return. Defra pays a subsidy to the Authority which contributes towards the payment of the charge.

o. Contingent Liabilities and provisions

Contingent liabilities

A contingent liability is recognised when the Authority has either a possible obligation depending on an uncertain future event, or a present obligation but where payment is not probable or the amount cannot be measured reliably. If this is the case, the Authority will include the contingent liability in its financial statements via disclosure only. No liability is recognised in the Statement of Financial Position.

Provisions

Provisions are recognised when the Authority has a present obligation as a result of a past event, and it is probable that the Authority will be required to settle that obligation. Provisions are measured at the Board's best estimate of the expenditure required to settle the obligation at the Statement of Financial Position date, and are discounted to present value where the effect is material.

Reimbursement asset

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Authority settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

p. Payment of creditors

Unless subject to a dispute the Authority's practice is to pay all accounts in accordance with the terms agreed at the time of placing the contract or order. Forty-three purchase days (2019/20 – twenty-four) were outstanding on the purchase ledger at the year end.

q. Ultimate controlling party

The Authority is classified as a Public Corporation, which operates under a management agreement with Defra. It has substantial day to day operating independence, but in the view of the Board of the Authority, the ultimate controlling party is Defra.

r. Redevelopment project costs

Costs arising from the redevelopment project including directly attributable, legal, staff, admin and advisory fees.

2. Revenue

	2021 £'000	2020 £'000
Income from tenants		
Rents	**3,932**	5,124
Recoveries from tenants	**6,178**	7,795
Other income		
Commercial vehicle charges	**846**	1,205
Car and coach parking charges, etc.	**459**	210
Sunday Market	**338**	879
Miscellaneous receipts	**1,084**	1,232
	12,837	16,445

3. Operating costs (excluding staff costs)

	2021 £'000	2020 £'000
Market security	**1,491**	1,514
Rates	**253**	237
Maintenance, repairs and renewals	**1,392**	1,381
Cleaning and waste	**2,374**	3,416
Heat, light and power	**1,352**	2,017
Insurance	**720**	437
Printing, stationery and telephone	**120**	132
Professional fees	**800**	587
Bad debt provision	**1,282**	898
Publicity	**124**	137
Sunday Market operating costs	**200**	373
General expenses	**540**	357
Pension costs	**326**	-
Apex costs reimbursement	**245**	1,040
	11,219	12,526

4. Profit on disposal of fixed assets

	2021 £'000	2020 £'000
Proceeds	-	77
Net book value	-	-
	-	77

5. Redevelopment project costs not capitalised

	2021 £'000	2020 £'000
Administrative costs and advisory fees	2,518	2,371
	2,518	2,371

Included in the redevelopment project costs above are £1.0m of legal fees which were incurred by the Authority as part of the tenant settlement. Defra has provided a grant to contribute to these costs and an equivalent amount has therefore been recognised as grant income in the Income Statement. This grant was provided as part of the wider support package provided to the Authority as noted in note 1a.

6. Finance income

	2021 £'000	2020 £'000
Bank interest receivable:		
On Market activities	3	64
	3	64

7. Operating loss for the year is stated after charging

	Note	2021 £'000	2020 £'000
Depreciation of property, plant and equipment	12	**1,114**	1,133
Staff costs	10	**2,271**	1,990
		3,385	3,123

8. Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the Authority's auditor for the audit of the Authority's annual accounts*	**136**	85
Fees payable to the Authority's auditor for other services:		
Relating to taxation	**38**	23
Relating to other services	**11**	11
Fees payable to the Authority's auditor in respect of associated pension schemes	**9**	5
	58	39

*2020/21 audit fee includes additional costs in relation to the 2019/20 audit which were not accrued in that period.

9. Finance costs

	Note	2021 £'000	2020 £'000
Net interest costs on pension	15	**21**	58
		21	58

10. The Members and staff costs

The Members of the Authority during the year were:

Mr D Frankish (Chair) • Mr D Fison • Mrs S Calcutt • Mrs T M Wickham • Mr A Robertson • Mrs F Fell • Mrs V Wilson • Ms S Turnbull • Mr J Lelliott OBE •

The Chair was the highest paid member during the year. During the year the Board's emoluments were as follows:

	2021 £	2020 £
David Frankish (Chair)	**113,568**	83,699
David Fison (joined 20.06.20)	**13,851**	-
Sarah Calcutt	**18,598**	8,412
Teresa Wickham (left 20.06.20)	**4,058**	12,515
Sir Edward Lister (left 09.08.19)	**-**	2,603
Archie Robertson (left 30.06.20)	**2,740**	11,160
Fiona Fell (joined 05.05.20)	**17,111**	-
Victoria Wilson (joined 12.12.19)	**33,750**	5,132
Sara Turnbull	**24,997**	13,377
John Lelliott	**21,167**	10,064
Total	**249,840**	146,962

David Frankish acted as Executive Chair for the period of 9 July 2020 to 29 October 2021. His allocated time to CGMA was 4 days per week throughout 2020/21. In addition, Members are reimbursed for expenses incurred in fulfilling their duties. During the year, David Frankish was paid £7,842 in respect of reimbursed expenses mainly relating to Home to Work (2019/20: £10,657).

Other Member's emoluments were in the following ranges:

	2021	2020
£0 - £5,000	**2**	1
£5,001 - £10,000	**-**	2
£10,001 - £15,000	**1**	4
£15,001 - £20,000	**2**	-
£20,001 - £25,001	**2**	-
£25,001 - £30,000	**-**	-
£30,001 - £35,000	**1**	-

No retirement benefits are accruing to members under a defined benefits scheme, nor do they receive any other benefits.

The average number of employees, including the Chair and Members, was:

	2021	2020
Administration	31	34
	31	34

Staff costs for the above persons were:

	2021 £'000	2020 £'000
Board Members - aggregate emoluments	**250**	147
Wages and salaries	**1,782**	2,022
Social security costs	**258**	228
Pension service costs	**244**	271
Termination benefits	**271**	-
Total payroll cost	**2,805**	2,668
Less amounts capitalised during the year	**(534)**	(678)
Board Members and staff costs	**2,271**	**1,990**

The following number of employees received salaries in the ranges:

	2021	2020
£0 - £10,000	**2**	4
£10,001 - £20,000	**2**	5
£20,001 - £30,000	**7**	2
£30,001 - £40,000	**8**	7
£40,001 - £50,000	**1**	3
£50,001 - £60,000	**2**	3
£60,001 - £70,000	**2**	1
£70,001 - £80,000	**3**	-
£80,001 - £90,000	**2**	2
£90,001 - £100,000	**-**	2
£100,001 - £110,000	**1**	1
£110,001 - £120,000	**1**	-
£120,001 - £130,000	**-**	2
£130,001 - £140,000	**-**	-
£140,001 - £150,000	**-**	-
£150,001 - £160,000	**-**	-
£160,001 - £170,000	**-**	2

Expenses

The total of expenses paid and reimbursed to Chair, Members and employees for travel and entertainment (including meetings) amounted to £8,370 in the year ended 31 March 2021 (2019/20: £16,574).

11. Taxation

	Note	2021 £'000	2020 £'000
UK Corporation Tax on losses for the year		-	-
Potential tax charge for rollover relief		-	1,900
Adjustment to previous year's tax provision		(376)	(34)
Total current tax charge		**(376)**	**1,866**
Deferred tax – utilisation and reversal of timing differences	16	(102)	164
Total deferred tax		**(102)**	**164**
Total tax (credit)/charge		**(478)**	**2,030**

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2021 £'000	2020 £'000
Tax reconciliation		
Loss before taxation	(4,455)	(2,052)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2019/20: 19%)	(846)	(390)
Tax effects of:		
Expenses not allowable for taxation	311	452
Fixed asset differences	108	116
Adjustments to tax charges in respect of previous years	(369)	(34)
Income not taxable for tax purposes	(33)	(118)
Losses carried back	380	34
Adjustment for rollover relief	-	1,900
Other timing differences relating to employment retirement benefit obligations	(151)	319
Adjust closing deferred tax to 19% (2019/20: 19%)	-	40
Deferred tax (charged)/credited directly to equity	122	(289)
Total tax charge for the year	**(478)**	2,030

The UK government has announced that the standard rate of corporation tax will remain at 19% for the 2020/21 and 2021/22 tax years rather than decrease to 17% as previously announced. As at 31 March 2021 all such changes have been substantively enacted and have therefore been reflected in the calculation of deferred tax for the year ended 31 March 2021. We have received correspondence from HMRC with regard to the extension of the statutory reinvestment periods in relation to the provisional rollover relief claims on the Northern site sale in August 2017, which clarifies the guidance on the application for an extension and the timelines associated with the qualifying period. HMRC confirmed that there would be no assessment on the extension of the rollover relief period until 31 March 2022. Given this and the current uncertainty as to whether HMRC will agree to an extension at that time and the Authority's ability to incur sufficient qualifying expenditure within any timeframe permitted, there remains a provision for the additional corporation tax due of £1.9m in the accounts.

12. Property, plant and equipment

	Freehold buildings £'000	Leasehold buildings £'000	Plant, equipment and motor vehicles £'000	Mechanical & electrical £'000	Construction in progress £'000	Total £'000
Cost						
At 31 March 2019	25,427	1,546	3,818	-	24,183	54,974
Additions	409	-	123	78	5,869	6,479
Gain on completion of exchange transaction	-	-	-	-	490	490
Transfers	7,269	-	(13)	6,394	(13,650)	-
Disposals	-	-	(161)	-	-	(161)
At 31 March 2020	33,105	1,546	3,767	6,472	16,892	61,782
Additions	-	-	4	-	2,956	2,960
Gain on completion of exchange transaction	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 March 2021	33,105	1,546	3,771	6,472	19,848	64,742
Depreciation						
At 31 March 2019	7,051	1,167	3.093	-	-	11,311
Transfers	(170)	-	32	138	-	-
Charge for the year	381	-	379	373	-	1,133
Disposals	-	-	(161)	-	-	(161)
At 31 March 2020	7,262	1,167	3,343	511	-	12,283
Transfers	-	-	-	-	-	-
Charge for the year	444	-	208	462	-	1,114
Disposals	-	-	-	-	-	-
At 31 March 2021	7,706	1,167	3,551	973	-	13,397
Net book value						
At 31 March 2021	25,399	379	220	5,499	19,848	51,345
At 31 March 2020	25,843	379	424	5,961	16,892	49,499

Included in freehold buildings are assets fully funded by a grant from Defra; the cost of these assets amounts to £1.675m.

The value of land not depreciated is £0.4m (2019/20: £0.4m).

13. Trade and other receivables

Current trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	**4,047**	1,794
Less: provision for impairment	**(1,849)**	(597)
Trade receivables, net	**2,198**	1,197
Amounts due from Defra	**4,828**	2,558
Other receivables	**1,588**	605
Less: provision for impairment	**(332)**	(332)
Other receivables, net	**1,256**	273
Other taxes and social security receivable	**136**	213
Prepayments	**-**	134
Development Partner	**26,643**	26,643
Total current trade and other receivables	**35,061**	31,018

Non-current trade and other receivables

	2021 £'000	2020 £'000
Amounts due from Defra	**8,720**	13,062
Total non-current trade and other receivables	**8,720**	13,062

Trade receivables, other receivables, amounts due from Defra and the Development partner are all measured at amortised cost.

As outlined in detail in note 1bi, a provision for impairment of trade receivables is established using an expected loss model. The Authority uses historical evidence on default levels alongside any current objective evidence that the Authority will not be able to collect all amounts due according to the original terms. The Authority considers factors such as default or delinquency in payment, significant financial difficulties of the debtor and the probability that the debtor will enter bankruptcy in deciding whether the trade receivable is impaired. COVID-19 has significantly increased the credit risk of trade receivables, therefore the expected credit losses are higher than would be expected using historical evidence.

	2021 £'000	2020 £'000
Provisions for impairment of trade and other receivables:		
As at 1 April 2020	**929**	137
Impairment losses reversed	**-**	(35)
Uncollected amounts written off, net of recoveries	**-**	(2)
Receivables impaired in the year	**353**	829
	1,282	929

As at 31 March 2021, trade receivables of £1.9m were considered to be impaired (2019/20: £0.6m).

As at 31 March 2021, other receivables of £0.3m were considered to be impaired (2019/20: £0.3m).

As at 31 March 2021 trade receivables of £1.9m (2019/20: £0.7m) were past due but not impaired. This relates to receivables that were all 2-3 months past due.

As at 31 March 2021 other receivables of £nil (2019/20: £nil) were past due but not impaired.

Due to short term nature of the receivables their fair value approximates to their carrying value per these accounts.

The market redevelopment is being recognised as an exchange transaction, with the completed market being received in exchange for the transfer of surplus land on the existing site. Upon transferring the Northern Site, the Authority had completed a significant proportion of the land sales required as part of the Development Agreement. To reflect the fact that most of the new market has been paid for despite the construction still being in progress, £26.6m has been recognised as a prepayment.

14. Cash and cash equivalents

	2021 £'000	2020 £'000
Bank deposits - sterling	**40,581**	84,037
Cash at bank and in hand - sterling	**3,759**	2,343
	44,340	86,380

Included within cash and cash equivalents is £38.7m (2019/20: £78.3m) in respect of monies held for the progression of the development works in accordance with the Development Agreement. The amounts will be retained by the Authority until the conditions of the Development Agreement have been satisfied. The Authority has recognised a liability of £38.7m to reflect the nature of this arrangement. See note 17 for further information.

Cash balances of £2.0m (2019/20: £2.2m) are in respect of tenants and are held in individual interest-bearing accounts jointly in the name of the Authority and the respective tenants and represent refundable deposits paid on granting of the leases. The carrying value of cash and cash equivalents approximates to its fair value.

15. Employee retirement benefits

The Authority made payments to a defined contribution Pension Fund which it does not administer of £0.2m (2019/20: £0.3m).

The Authority operates a defined benefit scheme for certain employees, the assets of which are held in a separate trustee-administered fund. The scheme's assets are invested in a group pension contract insured with Clerical Medical Investment Group Limited. The pension cost relating to the scheme is assessed in accordance with the advice of an independent qualified Actuary employed by Mercer Limited, using the accrued benefit method of valuation and the projected unit method to determine the funding requirement triennially.

The most recent actuarial valuation at 5 April 2018 has been updated for IAS19 purposes as at 31 March 2021.

The scheme ceased the accrual of future benefits with effect from 31 March 2011. However, the salary link for members who remain in employment with the Authority has been retained. This change has been taken into account in the 31 March 2021 IAS 19 calculation.

The Authority made contributions totalling £211,000 to this defined benefit pension plan in the year to 31 March 2021 (2020: £207,000).

The weighted average duration of the defined benefit obligation is around 18 years.

The scheme has a number of purchased annuities in respect of past retirements. To the extent that these match the relevant liabilities, the value has been excluded from both the assets and the liabilities, at each accounting date.

The IAS19 valuation was prepared by Rod Thouless - Fellow of the Institute and Faculty of Actuaries.

The scheme has money purchase Additional Voluntary Contributions (AVC) assets invested separately. These are understood to fully match the associated liabilities and so have been excluded from both the assets and liabilities.

The principal assumptions underlying the actuarial assessments of the present value of the plan liabilities are:

	2021	2020
Retail price inflation:	**3.5%**	2.8%
Salary escalation:	**2.7%**	3.8%
Increase to pensions in payment:	**3.4%**	2.8%
Increase in deferment:	**2.5%**	2.0%
Discount rate (pre and post retirement):	**2.1%**	2.4%
Mortality assumptions:		
Life expectancy at 65 at year end:		
Future pensioners – male	**110% PNA00**	110% PNA00
Future pensioners – female	**110% PNA00**	110% PNA00
Current pensioners – male	**110% PNA00**	110% PNA00
	MCMIN 1.5%	MCMIN 1.5%
Current pensioners – female	**110% PNA00**	110% PNA00
	MCMIN 1.5%	MCMIN 1.5%

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 4.7%
Rate of inflation	Increase of 0.25% p.a.	Increase by 8.7%
Rate of salary growth	Increase of 0.25% p.a.	Increase by 0.2%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 6.6%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth.

The plan typically exposes the Authority to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities. This would detrimentally impact the statement of financial position and may give rise to increased charges in future income statements. This effect would be partially offset by an increase in the value of the plan's bond holdings, and in qualifying death in service insurance policies that cover the mortality risk. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

The best estimate of contributions to be paid by the Authority to the plan for the period commencing 1 April 2021 is £211,000.

The asset distribution of the underlying investments were as follows:

	2021 **%**	2020 %
Fixed Interest Securities	**17.5**	17.3
United Kingdom Equities	**12.6**	14.8
Overseas Equities	**27.5**	20.7
Absolute Return Fund	**13.3**	14.3
Property	**13.7**	18.3
Debt	**8.2**	8.0
Cash	**4.8**	4.1
Other	**2.4**	2.5
	100	100

The assets and liabilities of the plan are as follows:

	2021 **£'000**	2020 £'000
Fair value of plan assets	**3,138**	2,916
Present value of Defined Benefit Obligation	**(4,888)**	(3,871)
Deficit in the plan	**(1,750)**	**(955)**

Analysis of the amounts charged to the income statement:

	2021 £'000	2020 £'000
Interest income related to plan assets	**70**	70
Interest expense on retirement benefit obligations	**(91)**	(128)
	(21)	(58)

There are no current service costs. The interest expense on retirement benefit obligations and interest income related to plan assets are included within finance costs.

Amounts recognised in the other comprehensive income, directly within equity, are as follows:

	2021 £'000	2020 £'000
Actual return less interest income on pension scheme assets	**229**	(122)
Experience gains and losses arising on the scheme liabilities	**133**	190
Changes in assumptions underlying the present value of the scheme liabilities	**(1,004)**	1,452
	(642)	1,520

The net movement in the Defined Benefit Pension scheme were as follows:

	2021 £'000	2020 £'000
Deficit in scheme at beginning of year	**(955)**	(2,607)
Contributions net of administration charge	**195**	190
Other finance cost	**(21)**	(58)
Past service costs	**(327)**	-
Actuarial (loss)/gain	**(642)**	1,520
Deficit in scheme at end of year	**(1,750)**	(955)

The movements in the present value of the plan assets were as follows:

	2021 £'000	2020 £'000
At the start of the year	**2,916**	3,119
Interest income	**70**	70
Actuarial gain/(losses)	**229**	(122)
Employer contributions	**211**	207
Administration costs (excluding asset management costs)	**(17)**	(17)
Benefits paid out	**(271)**	(341)
At the end of the year	**3,138**	2,916

The movements in the present value of the plan liabilities were as follows:

	2021 £'000	2020 £'000
At the start of the year	**3,871**	5,726
Interest cost	**91**	128
Actuarial losses/(gains)	**871**	(1,642)
Past service costs	**327**	-
Benefits paid out	**(272)**	(341)
At the end of the year	**4,888**	**3,871**

The amounts for the current and previous four years are as follows:

	2021	2020	2019	2018	2017
Difference between actual return and interest income on scheme assets					
Amount (£'000)	**229**	(122)	(163)	(96)	(218)
Percentage of scheme assets	**7.3%**	(4.2%)	(5%)	(3%)	(4.7%)
Experience gains/(losses) on scheme liabilities:					
Amount (£'000)	**133**	190	172	145	294
Percentage of the present value of scheme liabilities	**2.7%**	4.9%	3%	3%	3.8%
Total amount recognised in statement of comprehensive income:					
Amount (£'000)	**(642)**	1,520	(229)	420	(1,714)
Percentage of the present value of scheme liabilities	**13.1%**	39.3%	4%	7%	22.4%
Total assets and liabilities of the scheme:					
Total fair value of scheme assets	**3,138**	2,916	3,119	3,202	4,673
Total present value of scheme liabilities	**(4,888)**	(3,871)	(5,726)	(5,671)	(7,639)

16. Deferred taxation

	2021 £'000	2020 £'000
Deferred tax assets	**1,253**	523
Deferred tax liabilities	**(1,818)**	(1,312)
	(565)	(789)

Main sources of temporary differences giving rise to deferred tax included:

	Capital allowances £'000	Tax losses £'000	Retirement benefit obligations £'000	Total £'000
At 31 March 2019	(783)	-	447	(336)
Charged to the income statement	(529)	334	31	(164)
Credited to other comprehensive income	-	-	(289)	(289)
At 31 March 2020	**(1,312)**	334	189	(789)
Charged to the income statement	(506)	580	28	102
Credited to other comprehensive income		-	122	122
At 31 March 2021	(1,818)	914	339	(565)

17. Trade and other payables

	2021 £'000	2020 £'000
Trade payables	**1,214**	1,263
Other tax and social security payable	**406**	65
Accruals and deferred income	**10,604**	4,065
Deposits from tenants	**1,955**	2,189
Development creditor	**38,717**	78,348
Amount due to Defra	**-**	2,030
Pension contributions	**35**	40
	52,931	88,000

The development creditor represents amounts held on behalf of our development within cash and cash equivalents, payments on account in respect to future construction costs and other liabilities associated with the development agreement and works.

The Members consider that the carrying amount of trade and other payables approximates to their fair value. Trade and other payables are all measured at amortised costs with the exception of other tax and social security payable and deferred income.

18. Provisions

	2021 £'000	2020 £'000
At the start of the year	**14,890**	-
Utilised in the year	**(1,092)**	-
Charged in year	**-**	14,890
At the end of the year	**13,798**	14,890

£1.167m (2019/20: £1.614m) of above provision is a current liability and the remainder is a non-current liability.

During the 2020/21 financial year, the Authority reached agreements with both VSM and the tenants in full and final settlement of outstanding claims. The tenant litigation was settled on terms that included changes to the development plans (subject to planning) and commercial terms, relating to the basis on which tenants would be relocated to their new accommodation, such as reimbursement of tenant legal fees, fit-out costs, design changes, installations, and design fees. Management's best estimate of the total economic outflow arising from these terms was £14.6m and this was the basis for the provision in the financial statements as at 31 March 2021. Defra have agreed to fund the costs arising from these stipulated settlement terms and the related debtor balance of an equivalent amount is reflected within trade and other receivables within these financial statements. During the year, £1.092m of the provision has been utilised as the associated costs were incurred by the Authority. The receivable from Defra has decreased by the same amount.

The dispute with development partner VSM was also settled on terms that included postponing the vacant possession deadlines for the various phases in the Master Programme and amending the Development Agreement to provide greater control of pricing for future changes to the development programme or specification. Although an amount of £0.250m is payable to VSM under the agreement, ultimately the settlement resulted in the development recommencing in accordance with a revised Master Programme. The provision for £0.250m remains as at 31 March 2021.

19. Cash flow from operating activities

	2021 £'000	2020 £'000
Loss before taxation	**(4,455)**	(2,052)
Net finance income	**18**	(6)
Operating loss	**(4,437)**	(2,058)
Profit on disposal of fixed assets	**-**	(77)
Total depreciation charge	**1,114**	1,133
Net employer contribution after administration cost	**(194)**	(190)
Gain on completion of exchange transaction	**-**	(490)
Operating cash inflow before changes in working capital	**(3,517)**	(1,682)
Increase in trade and other receivables	**(13,862)**	(15,090)
Increase in trade and other payables	**17,957**	14,297
Net cash flow from operating activities	**578**	(2,474)

20. Future expected dividend payment

Following recent discussions with Defra, the Authority has an expectation that further dividends may be payable in the future to repay the COVID-19 support element of the grant, subject to performance and availability.

21. Financial instruments

The limited powers of the Authority to borrow or invest surplus funds are set out in the Covent Garden Market Acts 1961 to 1977. As a result, financial instruments play a limited role in creating or changing risk. In general, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Authority in undertaking its activities.

The Authority's trade and other receivables and cash equivalents are classified as 'Loans and receivables', and trade and other payables are classified as 'Financial liabilities measured at amortised cost'. The carrying values of the Authority's loans and receivables and financial liabilities measured at amortised cost approximate to their fair value.

Liquidity risk

The Authority only invests its surplus funds in short-term deposits with clearing banks or building societies rated P1 and above, or Local Authorities. These short-term deposits are all readily convertible into cash. As a result, the Authority is not exposed to any significant liquidity risks.

Contractual maturity of the Authority's financial liabilities as at 31 March 2021 is as follows:

	2021 Trade and other payables £'000	2020 Trade and other payables £'000
On demand	**40,673**	80,685
Less than 1 month	**-**	1,683
1 to 3 months	**12,258**	3,677
3 to 6 months	**-**	535

Included in "On demand" for the following period is the development account. The timing of payments to VSM under the development agreement is dependent on the delivery of the redevelopment activities.

Currency risk

The Authority does not engage in overseas trading and is not therefore exposed to significant currency risks.

Interest rate risk

All short-term deposits are invested at market interest rates. As a result, the Authority is only exposed to the interest rate prevailing in the market as a whole.

Interest rate profile

		2021 £'000			2020 £'000	
	Fixed	**Floating**	**Total**	Fixed	Floating	Total
Cash	**-**	**3,759**	**3,759**	-	2,343	2,343
Short-term deposits	**38,626**	**1,955**	**40,581**	81,316	2,721	84,037
	38,626	**5,714**	**44,340**	81,316	5,064	86,380

Should floating interest rates decrease by 1%, potential profit and equity of the Authority for the year would decrease by £0.003m (2019/20: £0.060m).

Credit risk

The Authority has trade receivables at the year end and as such is exposed to credit risk. The Authority has policies in place to prevent bad debts and facilitate prompt collection of debts. Maximum exposure to credit risk equals the amount of trade receivables as shown in these accounts.

Trade receivables are considered in default and subject to additional credit control procedures when they are more than 30 days past due in line with industry practice. Trade receivables are only written off when there is no reasonable expectation of recovery due to insolvency of the debtor. 12 month and lifetime expected credit losses are estimated based on historical loss rates for the relevant country, adjusted where evidence is available that different rates are likely to apply in the future. This is based on changes to the expected insolvency rates in the relevant countries.

See note 13 for more detail.

Other market risks

The Authority is exposed to price risk on purchasing goods and services in the normal course of its business. However, such goods or services are clearly of an auxiliary nature to the Authority's operations and are not subject to any specific risks other than general inflationary growth. The Authority may pass the relevant risks to its tenants while negotiating terms with them. As such the Members believe that the Authority's exposure to other market risks is insignificant.

Capital risk management

The Authority's objectives when maintaining capital are to safeguard the Authority's ability to continue as a going concern and maintain an optimal capital structure.

The Authority defines capital as being the Reserve Fund and Retained Earnings. The Authority is not subject to any externally imposed capital requirements apart from the Covent Garden Market Acts1961 - 1977.

22. Operating lease commitments

Lessor:

The future minimum lease payments receivable under non-cancellable leases are as follows:

	2021 £'000	2020 £'000
Within 1 year	**2,958**	2,727
Within 2 - 5 years	**9,255**	3,495
After 5 years	**9,509**	4,052

23. Related party transactions

Under provisions of IAS 24 Related Party Disclosures, the following parties are regarded as related parties of the Authority:

Parties exercising control over the Authority or are under common control with the Authority

The Authority is classified as a Public Corporation, which operates under a management agreement with Defra. It has substantial day to day operating independence, but in the view of the Board of the Authority, the ultimate controlling party is Defra.

In 2004 Defra approved a capital grant of £1.675m for capital works to be performed in the years 2004/05 and 2005/06.

At 31 March 2021, all of the grant had been received and expenditure incurred.

See note 1n in respect of a cost of capital charge of £2.0m (2019/20: £2.0m) and associated subsidy of £0.9m (2019/20: £1.1m).

See note 18 for details of the provision recorded (£13.8m) in relation to settlement costs which Defra have committed to fund and for the details of the receivable due from Defra (£13.5m). During 2020/21, £1.0m of revenue grant funding from Defra was recognised in the Income Statement on the basis that the expenditure which underlined its purpose had been incurred.

Key management personnel remuneration totalled £1,053,617 (2019/20: £1,047,111).

Post-employment benefit plan for the benefit of employees of the Authority

See note 15 for details of transactions and balances with the pension plan.

24. Capital commitments

Development costs

At 31 March 2021, under the Development Agreement, VSM has option agreements over CGMA surplus land, including the Apex site, Entrance site and Thessaly Road site, which total approximately 8.5 acres and are still to be drawn down. The transfer of these parcels of land will represent the final element of CGMA's payment to the Developer in respect of the redevelopment of the market.

The Authority's Management

Appendix 1

The Authority's key staff members as at 31 March 2021 were as follows:

Executive Team	
Jo Breare	General Manager
Cassandra Glavin	Head of Finance
Tony O'Reilly	Project Director
Alasdair Thomas	General Counsel / Secretary
Rebecca Barrett	Head of Strategy, Partnerships and Communications
Operations	
Colin Corduroy	Operations Manager
Peter Nolan	Facilities Manager
Property	
Michael Sharkey	Market Manager (Fruit and Vegetable Market and Rail Arches)
Richard McAuley	Market Manager (Flower Market and Food Exchange)

Covent Garden Market Authority

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