Government Property Agency

# Annual Report and Accounts

## 2018-2019

Government
Property
Agency

# Annual Report and Accounts 2018-19

(For the year ended 31 March 2019)

Accounts presented to the House of Commons pursuant to Section 7 (1 and 2) of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

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# Forewords

## Chair's foreword

Liz Peace
Government Property Agency Chair

I was hugely excited when three years ago, John Manzoni invited me to take up the role of Chair of what we were then calling the 'new property model' which was going to lead to the creation of a property asset management organisation to hold, manage and get the best out of the Government's general purpose accommodation.

Three years on, with the Government Property Agency (GPA) launched and managing its first swathe of assets, and with the Hubs programme in full swing, we are well on our way to achieving the original vision for our new property model.

We have established an excellent group of Executives, including Steven Boyd who recently joined as permanent Chief Executive. Steven has taken over from Mike Parsons who successfully led the organisation through its first year of operation. We have also recruited an impressive group of Non-Executive Directors who continue to help set strategic direction and add real value to the Agency.

We have strengthened our capabilities across the GPA in areas such as asset, facilities and occupier management, commercial and project delivery. We have also completed fit-out and full occupation of 10 South Colonnade and Windsor House, providing great places to work for 7,500 civil servants.

That being said, there is a lot still to do during what will be a critical but exciting period of growth as we bring on-board new departments and help them to make best use of their property to support their own objectives and those of the Government as a whole. As part of this ambition, GPA is committed to the delivery of around 20 Hubs to create great places to work and deliver £1.4bn of benefits; an ambitious and rewarding goal.

Thank you to all my colleagues for their work during this first year of GPA's operation.

Liz Peace

# Chief Executive Officers' statements

Mike Parsons
Interim Chief Executive Officer

I am really pleased with the progress that has been made in this first year of operation as an executive agency.

GPA's mission is to create great places to work for civil servants, enabling them to deliver excellent public services and to feel valued for the brilliant work they do on behalf of the public, and how we do that as an organisation is just as important as the mission itself. We strive to be 'one GPA', fostering a positive working environment that promotes collaboration, and our active 'Culture and Values' working group has done excellent work in helping to embed this mindset over the past year.

Taking a wider, cross-government view, one of the key drivers for the GPA is to add real value to the management of government property through its departmental on-boarding schedule. Since its launch in 2018, we have on-boarded £195 million of properties owned by the Cabinet Office, Crown Commercial Service and Department for Business, Energy and Industrial Strategy (BEIS) to the GPA balance sheet along with their facilities management.

We have also commenced work with the Ministry of Justice (MoJ) cluster and the Department for International Development (DfID) to on-board their properties. Our initial portfolio of 80 properties will grow to over 1,000 as we on-board new clients.

In June 2019, at the start of our second year, I handed over leadership of the Agency to Steven Boyd, who has taken up this substantive CEO role. I thoroughly enjoyed my time with the Agency, and fortunately my role as Director General of Government Property that sits within the GPA's sponsor department allows me to remain involved with the Agency as it continues to grow, develop and mature over the coming years.

Mike Parsons

Steven Boyd
Chief Executive Officer (from 10 June 2019)

GPA has made good progress in its first year of operation as an executive agency, and I am delighted to be taking over from Mike Parsons and to be leading GPA into its second year and beyond.

GPA will be central to delivering on the vision of a 'Brilliant Civil Service' by reframing the way Government manages its multi-billion-pound annual investment in the Central Civil Estate. The goal is to introduce a portfolio-led, pan-government approach so we can manage property as a strategic asset.

We have made a good start towards the delivery of our mission by delivering our first two hubs, taking assets valued at £195 million under management for over 100 customer organisations, and agreeing baseline standards for modern ways of working across government. Several other hubs are being scoped, which will deliver modern, digitally enabled working environments. And we are currently working through the discovery and due diligence phase to on-board the assets of a number of other departments.

During this year we have put in place the processes necessary to operate effectively. We recognise that the success of GPA will depend on high-calibre people, great data, and strong commercial relationships. Not only have we begun to build a strong professional team, we are also fostering the culture to which we aspire. We have begun to bring together data previously held separately by departments, and to complete and assure it to build a valuable asset for GPA. We have also made progress on shaping the commercial relationships we need, bringing on our design and project management partners.

I am grateful to Mike for his leadership in the GPA's first year. In his role as our Cabinet Office sponsor, he will remain closely involved with the Agency. I look forward to leading the team in the coming years, to growing our portfolio and strengthening our service offer.

Steven Boyd

# Performance Report

## 1. Overview

### 1.1. Performance Summary

Since its establishment as an Agency on 1 April 2018, the GPA has successfully:

- On-boarded properties previously owned by the Cabinet Office, Crown Commercial Service and Department for Business, Energy and Industrial Strategy (BEIS) onto the GPA balance sheet along with taking on responsibility for their facilities management and service provision. The value of properties on-boarded, together with in year investment and depreciation is £195 million at 31 March 2019. GPA has also commenced work with the Ministry of Justice (MoJ) and its wider agency group and Department for International Development (DfID) to on-board their properties.

- Adopted an industry standard ICT platform (Horizon) to provide the management information and financial transactions needed to support asset management.

- Completed the fit-out and full occupation of 10 South Colonnade and Windsor House, providing great places to work for 7,500 civil servants.

- Developed a central London Estates Strategy that sets the direction for providing great places to work for civil servants in no more than 20 buildings by 2030.

- Supported departments with lease negotiations notably the headquarters for BEIS and the Department for Education (DfE).

- Established a governing Board of executives and non-executives, recruited a permanent Executive Team (replacing temporary appointments), recruited a CEO, transformed legacy teams and organisations from the Cabinet Office and BEIS into a new GPA structure and grown project management, occupier management and technology capabilities.

## 1.2. Purpose

Our mission at the GPA is:

‘To create great places to work for civil servants, enabling them to deliver excellent public services and to feel valued for the brilliant work they do on behalf of the public’

Our vision statement helps define what we aim to achieve over the coming years.

By 2030, our vision is that:

- The GPA is delivering best in class workplace solutions across government.
- The central government non-specialist estate is amongst the most efficient, effective and flexible in the world.
- Civil servants are working in fit for purpose accommodation that supports smarter working and promotes productivity.
- The GPA is championing transformation, providing departments with innovative solutions and expertise that delivers wider business change.
- Our solutions are commercially best in class, maximising the value from assets, and transferring risk away from departments so they can focus on their core business.
- The GPA is the place to be for UK’s leading professionals in estates, commercial, project management and beyond.

GPA’s foundation values are those of the Civil Service: integrity, honesty, objectivity and impartiality. As a specialist agency we have additional values that we hold ourselves to and pride ourselves on. These values are:

**We are collaborative**

- We work together as one team
- We handle challenges both known and unexpected
- We are professional in everything we do
- We seek to work in partnership with our clients, and treat them with respect

**We demonstrate leadership at all levels**

- We take pride in the work we do
- We empower others to lead
- We learn from mistakes and adapt to change
- We provide quality jobs for quality people, and we invest in their learning and development through time, money, leadership, management and peer support

**We seek innovation in government property**

- We have an exciting new vision for government property, and the required expertise to make it a reality
- We draw on innovative practices
- We take bold decisions, building on our experience to deliver change

- We are experts in our different fields (commercial, property, operations, project management, HR, finance)

**We are inclusive:**

- We work together across disciplines, teams and regions in a supportive working environment
- We champion flexible working
- We welcome and encourage diversity
- We respect one another and the varied skills that we bring to the organisation
- We support and encourage people to perform at their best, and provide the tools to do this

**We put our stakeholders and clients at the heart of what we do:**

- We work tirelessly, conscientiously and proactively for our clients, - and stakeholders
- We listen to our clients, understanding their objectives, and adding value
- We work hard to ensure best use of taxpayers money and service delivery
- We are apolitical and trustworthy

**We value and nurture expertise and commerciality:**

- We strive to understand market realities, value drivers and pertinent trends, so we can help to spot and capture market opportunities that deliver value for our clients
- We aim to offer the best solution for our clients, combining internal expertise with successful commercial partnerships
- We are financially astute, making optimal use of the resources and freedoms available to us
- We are judged by our track record of delivery, and work constantly to deliver precisely and at pace.

## 1.3. Strategy

We create a commercial culture by being competitive in the market. That means exploiting commercial opportunities, enhancing delivery for our customers, developing and exploiting our data, improving interactions with customers, developing our finance and charging models, our contract management capabilities and implementing our facilities management strategy.

The Board’s strategic priorities for the GPA are to:

- Begin to deliver the benefits set out in the New Property Model (NPM) business case – at least £1.4bn over the next 10 years, equivalent to £7 of benefits for every £1 spent on the GPA.

- Create an organisation of choice for office, warehouse and storage property solutions for Permanent Secretaries and Chief Executives.

- Support the transformation of government and the Civil Service as set out in the Government’s Estates Strategy and the Industrial Strategy.

To achieve these priorities, the GPA is developing a highly capable and professional team. Our priorities for team development are: leadership skills at all levels of the organisation; project management and technology skills; quality relationships with our customers (and prospective customers); and the creation of a commercial culture throughout the organisation.

## 1.4. Structure

The GPA is made up of 127 property, transformation and commercial professionals. External partners Montagu Evans, CBRE and BDO support us in managing assets and facilities management providers deliver ‘day to day’ building services. Our initial portfolio of 80 properties will grow to over 1,000 as we on-board new clients.

Our core Directorate teams are:

**Client Solutions**
- Our client solutions professionals work with clients to agree their property and portfolio strategies. We engage specialist resources for delivery from across GPA and our supply chain partners.

**Operations**
- We implement portfolio strategies and provide working environments and customer-focused services that meet our customers’ needs through ‘best in class’ service providers.

**Programmes**
- Programmes are transforming our property portfolios. The Hubs, Whitehall and Smarter Working teams are delivering great places to work and new, flexible ways of working.

**Finance and Corporate Services**
- The finance function manages GPA’s strategic planning, processes its commercial transactions, and advises on performance.
- Corporate services provide the Agency’s governance, HR, communications and technology services.

**Commercial**
- Our commercial function develops and delivers commercial strategies and market transactions for the benefit of our customers.

## 1.5. Key Risks

Establishing the GPA presents a huge opportunity for government to create great places to work and deliver £1.4bn of benefits over the next 10 years. However, there are risks to achieving these objectives. The major risks are summarised below. Details of how we manage these risks are given in the Governance Statement on page 17.

- Ability to attract high calibre staff: If the GPA does not attract high calibre staff it will not be able to manage its property portfolio efficiently and effectively.

- Management of costs: If the GPA does not manage its costs effectively, it may exceed its budget and the financial benefit to our customers and taxpayers will be eroded.

- Delays or increased costs for major programmes: If unforeseen conditions cause our major programmes (Hubs and Whitehall Campus) to be delivered late or over budget, the benefit to our customers and taxpayers will be eroded.

- Cessation of trade by key suppliers: If one or more of the companies that the GPA uses to provide services (such as facilities management or construction) cease to trade, the service to customers could be disrupted while an alternative provider is found, and costs are likely to increase.

- Delays with on-boarding: If there is a delay to on-boarding a department's estate, the GPA could be left with surplus workforce capacity which would be inefficient and it could cause GPA costs to exceed its budget.

- Implementation and use of modern technology: If the GPA does not fully exploit property data using modern technology, it will miss a significant opportunity to improve the efficiency and effectiveness of the government estate.

- Health and safety risks: If the GPA does not fulfil its responsibilities for managing risks to the health and safety of our staff and the people in and around our properties, people could be injured.

- Business continuity: If a GPA building was unexpectedly made unavailable for use (e.g. due to damage), the building users may not be able to deliver public services.

- Risks associated with void areas: If GPA tenants leave a leased property before the head lease expires and there is no new tenant to move in, GPA would have a void cost to fund.

- Uncertainty over levels of dilapidations arising: If the GPA takes on a lease that requires the GPA to fully maintain, repair and/or reinstate the property, but the GPA (or its tenants) do not do so, the GPA will be required to pay compensation to its landlord known as dilapidations.

## 2. Performance Analysis

Performance of the organisation is measured using performance indicators and milestones that are set by the Board and aligned to our strategic objectives. Performance is tracked and reported using an Agency-level scorecard.

### 2.1. Performance Indicators

We divide our performance indicators into four areas: clients, people, projects and programmes, and finance:

**Clients**

- We met our year-end target of on-boarding two clients: BEIS and the Cabinet Office.
- The size of the estate on-boarded from these clients totals 210,000 square metres. We will be looking to build on this in the coming year.
- We reduced dissatisfaction with facilities management from 6% in December 2018 (the first point at which it was measured) to 3.6% in March 2019 and aim to reduce this further.

**People**

- The GPA takes staff well-being very seriously and has established a staff Culture and Values group to champion our core culture and values, inclusivity and promoting well-being initiatives and training.
- Our staff engagement was scored in October 2018 at 57% and we also actively monitor data regarding bullying, harassment and discrimination through regular in-year pulse surveys with and executive-endorsed action plan.
- Staff engagement and views are also captured through a twice-yearly all-staff conference and six-weekly all staff calls.
- By listening and acting on this feedback, the GPA can strive to provide a great place to work for our staff and further reinforce our foundation values.

**Projects and Programmes**

- We have achieved five out of six milestones for our Hubs Programme.

  - Peterborough Portfolio Approval ✓
  - Bristol Portfolio Approval ✓
  - Birmingham Portfolio Approval ✓
  - 10 South Colonnade CAT B Construction ✓
  - 10 South Colonnade People Migration ✓
  - Peterborough Agreement for Lease ✗ (now early 2019-20)[1]

- Our programme milestones will go beyond Hubs soon by including our rapidly developing Smarter Working programme.
- Other projects are listed in the milestones below.

**Finance**

- The GPA Investment Committee approved business cases with a forecast net benefit of £288.5 million (Net Present Value, NPV, over 10 years).
- This comprises four business cases, including 10 South Colonnade and the proposed Peterborough hub, as part of the Hubs programme.

[1] Milestone delayed as the preparation and approval of the business case, and preparation of lease documentation took longer than anticipated.

- Benefit tracking indicates that we are on-track to achieve the benefits envisaged from the introduction of the GPA.
- There is a positive and symbiotic relationship between our client acquisition and finance objectives: as we on-board more clients we become more efficient and effective through economies of scale.

## 2.2. Milestones

Below are the key milestones published in our 2018-19 business plan[2] and related performance:

| Milestone | RAG Rating |
|---|---|
| **Building the Workload** | |
| On-board the Cabinet Office by 1 April 2018 | **Complete** |
| Act as Managing Agent for BEIS Cluster from 1 April 2018 | **Complete** |
| On-board BEIS core from 1 July 2018 | **Complete** |
| On-board agreed BEIS Arm's Length Bodies through to 31 March 2019[3] | **Incomplete** |
| Complete due diligence for on-boarding of the Department for International Development (DfID) | **Complete** |
| Complete due diligence for on-boarding of Defra[4] | **Incomplete** |
| **Building Capability** | |
| Develop the core BEIS Estates Strategy | **Complete** |
| Develop a Whitehall Estates Strategy | **Complete** |
| Develop Whitehall Programme | **Complete** |
| Restack surplus space arising from relocation of EU institutions | **Complete** |
| Fully occupy 10 South Colonnade, Ruskin Square and Windsor House | **Complete** |
| Support the Office of Government Property in the development of a science portfolio strategy | **Complete** |
| Present the Smart Working Strategy to the Estates Review Board | **Complete** |
| Smart Working Strategy and Programme launched at annual Smart Working Awards | **Complete** |
| Annual Smart Working report published detailing progress towards PAS3000 and 19/20 milestones | **Complete** |
| Updated Smart Working guidance in place with continued support for departments to implement effective Smart Working implementation plans | **Complete** |
| **Delivering Early Benefits** | |
| Mobilise the managed service provider to support launch from 1 April 2018 | **Complete** |
| Go-live with Horizon Property Management & Finance System from 1 April 2018 | **Complete** |
| Transfer estate management staff to the GPA from the Cabinet Office and UK Shared Business Services (UKSBS) from 1 April 2018 | **Complete** |
| Establish future Facilities & Project Management services contracts | **Complete** |
| Migrate to 'Launch Phase' organisation, fully integrating UKSBS and Hubs teams to GPA structure | **Complete** |
| Support the GPA workforce and wider Government Property Profession with an innovative learning and development offer | **Complete** |
| Embed the delivery model and new ways of working | **Complete** |

[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/795281/GPA_Business_Plan_201819.pdf
[3] GPA on boarded ACAS in February 2019. A tailored programme of on boarding the remaining ALBs has been developed and will now continue through 2019-2020.
[4] As a result of EU Exit pressures on Defra the on boarding process was paused during 2018-19. This has now been resumed with the process due for completion in 2019-20.

## 2.3. Culture and Values Group

The Culture and Values Group was formed to develop and support the embedding of a common culture across the new GPA organisation informed by data from the GPA staff survey. The group consists of staff at all levels who have an interest in driving and embedding the right behaviours, values and culture to ensure that GPA is a high performing Agency with the wellbeing of staff at the heart of this.

Since July 2018, the group have created a set of GPA values as set out in the purpose section above on page 5. These have been agreed by staff and an action plan put in place to embed these values and develop a common culture. The action plan has been agreed by the Executive and senior leaders and it has been shared with staff through the staff newsletter and GPA roadshows.

## 2.4. Sustainability

The GPA addresses sustainability in a number of ways – for example through adherence to BREEAM (Building Research Establishment Environmental Assessment Method), the industry standard sustainability rating scheme for the build environment. Through its application and use, BREEAM helps customers to measure and reduce the impacts of their buildings and in doing so, create higher value, lower risk assets that are better for people and the environment. Hubs created through the Government Hubs programme are targeted to receive an ‘excellent’ BREEAM rating for new builds and ‘very good’ for refurbishment.

10 South Colonnade, the flagship building within the Government Hubs project portfolio, is expected to achieve a BREEAM score of ‘very good’ at post construction certification. Specific environmental features of the building include water saving and light energy saving features, sustainably sourced timbers, and acoustic control.

## 2.5. Greening Government

The GPA is committed to supporting the Greening Government Commitment targets and the Clean Growth Strategy, which sets out the Government’s ambition to improve business/non-domestic building energy efficiency by at least 20% by 2030.

As part of the review and update of the Government Workspace Policy and Design Guidelines, the Agency is incorporating the latest guidance and advice on energy performance, energy performance of equipment, heat networks and metering strategy.

Steven Boyd
Chief Executive Officer and Accounting Officer
16 July 2019

# Accountability Report

## 3. Directors' Report

### 3.1. Composition of Management Board

The GPA is led by the Chief Executive Officer (CEO) who has also been designated as Accounting Officer. The CEO for the period of this report was Mike Parsons who was in place on an interim basis. Steven Boyd took up this post on a permanent basis on 10 June 2019.

The Agency is led by the GPA Board that is made up of three internal government Non-Executive Directors as well as four external Non-Executive Directors, one of whom is the Agency Chair. All were appointed by the Minister for Implementation in April 2018, except for the Chair who was appointed whilst the Agency was in shadow running. Members also include the GPA CEO, Finance Director and representation from the Office of Government Property from the Cabinet Office, the Agency's sponsor department.

### 3.2. Register of interests

Conflicts of interests are assessed at the Board and one declaration has been marked as a conflict:

Mike Parsons was covering both the role of sponsor and GPA CEO, which could potentially cause conflict of interest regarding decisions and escalations. Mitigations were in place, including sponsor function representation at the GPA Board being covered by Janet Young, Chief Property Officer for the period until a substantive CEO was in place. Janet Young is also the escalation point of contact for National Property Control Issues and from any GPA complaints requiring escalation outside of the Agency.

### 3.3. Data loss

There have been no records of personal data losses since the launch of the Agency in April 2018 that were required to be reported to the Information Commissioner.

# 4. Statement of Accounting Officer's responsibilities

The Principal Accounting Officer of the Cabinet Office has sub-delegated his Accounting Officer responsibilities for the GPA to the GPA CEO.

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the GPA to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. This will detail the resources acquired, held or disposed of, and the use of resources, during the year by the Agency. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency for the financial year.

In preparing the accounts, compliance is required with the requirements of the *Government Financial Reporting Manual (FReM)* and in particular to:

- Observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis

- Ensure that the Agency has in place appropriate and reliable systems and procedures to carry out the consolidation process

- Make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information into the Cabinet Office accounts

- State whether applicable accounting standards as set out in the *Government FReM* have been followed, and disclose and explain any material departures in the accounts

- Prepare the accounts on a going concern basis.

## 4.1. Statement on the disclosure of relevant audit information

The GPA accounts have been prepared on a statutory basis in accordance with the requirements of HM Treasury and are designed to comply with generic Accounts Directions issued to agencies by HM Treasury under section 7 (1 and 2) of the GRAA.

The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination.

As Accounting Officer, I confirm that, as far as I am aware, there is no relevant audit information of which the GPA's auditors are unaware. I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to establish that the GPA's auditors are aware of that information.

As Accounting Officer, I confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable, and I take personal responsibility for them, along with the judgements required for determining that they are fair, balanced and understandable.

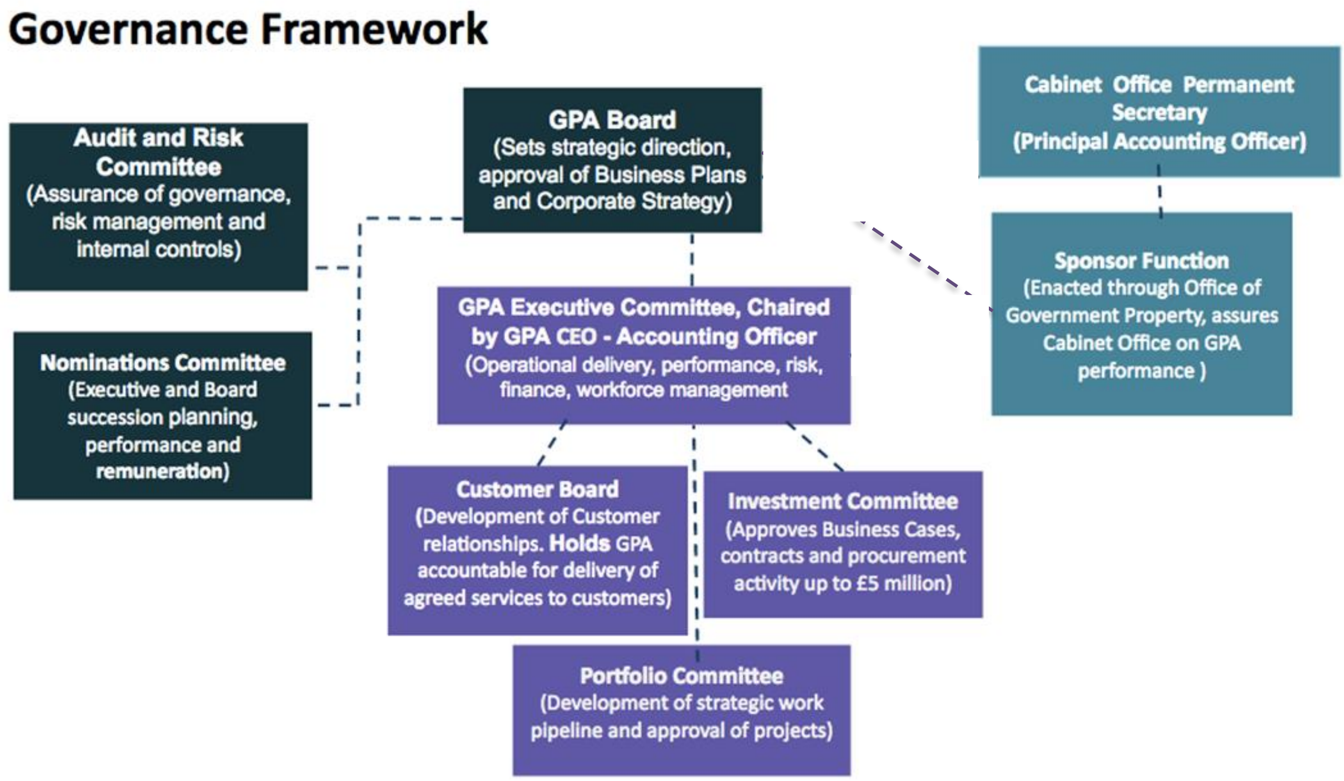
# Governance statement

## 5. Overview

The GPA CEO ensures that it adheres to the principles and standards as set out in Managing Public Money including terms of governance, decision-making and financial management.

This governance statement sets out frameworks and processes, drawing together evidence in order to provide assurance on how the GPA has managed risks and complied with good corporate governance.

### 5.1. Governance Framework




Since its creation in April 2018, the GPA Board has overseen and approved a number of critical areas of work for the Agency, including the GPA Corporate Strategy and Business Plan. It has input into the development of the GPA facilities management strategy, risk policy, and risk appetite. It has also had deep dive discussions around the risks and key areas of focus for the Programmes Directorate (including the Hubs programme), Operations Directorate and the on-boarding and people strategy processes. Additionally, it was instrumental in the recruitment process for the Agency's permanent CEO, agreeing to the creation of a Nominations Committee to support this process as well as to scrutinise SCS performance more widely.

The Agency's sponsor is the Office of Government Property from within the Cabinet Office. The sponsor provides assurance over the Agency's performance, KPIs and governance. This relationship is set out in a Framework[5] document which covers roles and responsibilities between the Agency, the sponsor body and the Cabinet Office as well as defining escalation routes. This relationship was subject to audit by the Government Internal Audit Agency at the end of 2018, and returned a moderate rating with a small number of recommended improvements that GPA and the sponsor are implementing.

## 5.2. Board membership and attendance

The table below lists the Board members and their attendance at Board meetings and Board sub-committee meetings since the launch of the Agency in April 2018. It also indicates which Executive Committees they attend (these are not formal sub-committees of the Board). The committee structure is discussed in more detail below the table.

| Board Member | Role(s) | Board | Nominations Committee | Audit and Risk Committee | Executive Committees attended |
|---|---|---|---|---|---|
| Liz Peace | Agency Chair | 8 of 8 | 2 of 2 | N/A | |
| Mike Parsons | Interim CEO | 8 of 8 | 2 of 2 | 6 of 6 | Executive Committee and Investment Committee. |
| Steve Blake | Finance Director | 7 of 8 | N/A | 6 of 6 | Executive, Investment, Portfolio Committees and Customer Board |
| Janet Young | Representative from Cabinet Office Sponsor | 6 of 8 | N/A | N/A | |
| Sarah Harrison | Non-Executive Director (from BEIS) | 6 of 8 | N/A | N/A | Customer Board (Chair) |
| Rob Razzell | Non-Executive Director (from UKGI) | 7 of 8 | N/A | N/A | |
| Rupert McNeil | Non-Executive Director (from Cabinet Office) | 5 of 8 | 1 of 2 | N/A | |
| Mark Collins | Non-Executive Director (from private sector) | 8 of 8 | N/A | N/A | Investment Committee |
| Jane Hamilton | Non-Executive Director (from private sector) | 7 of 8 | 2 of 2 | 6 of 6 | Portfolio Committee |
| Mickola Wilson | Non-Executive Director (from private sector) & Chair of the Audit and Risk Committee | 6 of 8 | N/A | 6 of 6 | |

[5] (https://www.gov.uk/government/publications/government-property-agency-framework-document)

## 5.3. Committees and Sub-Committees

The Board is supported by two sub-committees; the Audit and Risk Committee and the Nominations Committee:

- Over the past year, the Audit and Risk Committee met six times. It regularly reviewed the Strategic Risk Register, which has allowed them to identify and carry out deep dives into key areas of risk. This included the GPA departmental on-boarding and due diligence processes as well as the key risks within the Programmes Directorate (including the Government Hubs programme) and the Operations Directorate. This Committee also systematically reviews the progress of the actions arising from the five internal audits carried out thus far to ensure that recommendations are being implemented.

- The Nominations Committee met twice and has been instrumental in the recruitment of the Agency's permanent CEO by reviewing the process from start to finish and providing independent insight. This Committee also validated the performance markings of SCS 1 and 2 staff members within the Agency as decided by the CEO.

The Executive Committee is chaired by the CEO and, is responsible for delivering the Corporate Strategy and Business Plans set by the Board and for managing and leading the GPA on a day to day basis. It reports to the Board via the CEO and has two sub-committees: a Portfolio Committee and an Investment Committee, both of which include a Non-Executive Director as a member. There is also a Customer Board that meets quarterly and is chaired by a Non-Executive Director from an on-boarded client department with the remit of supporting the Executive in challenging the Agency’s performance, delivery, customer focus, and end user satisfaction.

Both the Investment Committee and the Audit and Risk Committee have representation from the Cabinet Office to ensure and promote transparency back into our sponsor department.

The Non-Executive Director attending each committee and the Customer Board gives a verbal update at Board meetings regarding the effectiveness of each Committee, and raises specific issues to the Board as necessary. Minutes of these meetings are included in each Board meeting pack to provide a comprehensive update on discussions and decisions from each Committee.

## 5.4. Compliance with the corporate governance code

The GPA follows best practice for corporate governance, including the seven principles of public life which are included in the terms of reference for each Board and Committee. The Cabinet Office Code of Conduct for Board Members of Public Bodies and Cabinet Office and Treasury Corporate Governance in Central Departments: Code of Good Practice guidance are included in Non-Executive Director induction packs.

## 5.5. Assessment of Board effectiveness

One year since the launch of the Agency, the Board commenced an assessment of its own effectiveness through questionnaires and 1:1 interviews of Board members by the Chair. The outcome of this review was reported to the Board when it met in July 2019. The Board identified a small number of opportunities for improvement, which will be actioned in 2019-20.

### 5.6. Government Hubs Programme, Smarter Working Programme and the Whitehall Campus Programme

Projects within these three programmes are subject to approval and scrutiny from the Investment Committee. Each programme is also overseen by a programme board that ensures the necessary project and programme management procedures are adhered to.

The programmes are on the Government Major Projects Portfolio (GMPP) framework with a quarterly return made.

### 5.7. Risk management framework

Risks within the Agency are managed and documented at individual Directorate levels, with significant risks escalated to the Agency's Strategic Risk Register. The Executive in charge of each Directorate is responsible for risks within their business area, including ensuring that significant risks are escalated to the Strategic Risk Register. The Executive Team owns the Strategic Risk Register, and each Executive is responsible for ensuring that the risks assigned to them are up to date ahead of each review point by the Board and the Audit and Risk Committee.

Both the Board and the Audit and Risk Committee review this Strategic Risk Register at every meeting, and these risk areas form deep dive discussions at both of these meetings.

The key risks facing the Agency and associated mitigations are summarised below:

- Ability to attract high calibre staff: If the GPA does not attract high calibre staff it will not be able to manage its property portfolio efficiently and effectively. To mitigate this risk the GPA has developed a workforce plan and reward strategy. It has promoted the ambitious GPA mission in its recruitment campaigns along with the benefits of working in the civil service and, when necessary, used the pay flexibilities available within the civil service scales to recruit and retain the skills it needs.

- Management of costs: If the GPA does not manage its costs effectively, it may exceed its budget and the financial benefit to our customers and taxpayers will be eroded. To manage this risk systems have been introduced to control our finances and track the benefits achieved. This includes the introduction of an industry standard technology platform, designed specifically for property management, to hold and process our financial information.

- Delays or increased costs for major programmes: If unforeseen conditions cause major programmes (Hubs and a Whitehall Campus) to be delivered late or over budget the benefit to customers and taxpayers will be eroded. To manage this risk the GPA has introduced programme management governance, control and good practice to lead and manage the delivery of our programmes. This includes the incorporation of learning from experience such as the application of optimism bias guidance and the need for experienced project and programme management professionals.

- Cessation of trade by key suppliers: If one or more of the companies that the GPA uses to provide services (such as facilities management or construction) cease to trade, the service to customers could be disrupted while an alternative provider is found and costs are likely to increase. To manage this risk the GPA has worked closely with Crown Commercial Services to identify companies that might be at risk and to establish contingency plans to be used in the event that those suppliers fail.

- Delays with on-boarding: If there is a delay to on-boarding a department's estate, the GPA could be left with surplus workforce capacity which would be inefficient and it could cause GPA costs to exceed its budget. To manage this risk, GPA are on-boarding properties in stages over the period to 2022 and have adapted the on-boarding schedule in collaboration with prospective clients, with some now being on-boarded earlier than previously planned and others later. This has mitigated the effect in the short term, but protracted delays could not be accommodated.

- Implementation and use of modern technology: If the GPA does not fully exploit property data using modern technology, it will miss a significant opportunity to improve the efficiency and effectiveness of the government estate. To manage this risk, GPA has developed a data and technology strategy. As part of that strategy, it has invested in asset management and facilities management platforms. There is a residual risk that the GPA will not get the maximum benefit from these platforms due to the quality of the data received from departments. To manage this, GPA identify data quality risks during the on-boarding process for resolution either before or after on-boarding.

- Health and safety risks: If the GPA does not fulfil its responsibilities for managing risks to the health and safety of our staff and the people in and around our properties, people could be injured. To manage this risk, arrangements for managing health and safety have been established. These arrangements are discussed in more detail in section 6.21.

- Business continuity: If a GPA building was unexpectedly made unavailable for use (e.g. due to damage), the building users may not be able to deliver public services. To manage this risk, the GPA has put in place arrangements for the continuity of its business and co-ordinates with its customers so they are able to develop their own business continuity arrangements.

- Risks associated with void areas: If GPA tenants leave a leased property before the head lease expires and there is no new tenant to move in, GPA would have a void cost to fund. To manage this risk, GPA seeks new tenants but they may not always be available. Therefore, for the on-boarded estate, the originating departments retain void risk until March 2020 or the financial year after on-boarding if later. Where tenants leave earlier than set out in their occupation agreement, the tenants remain liable for the void cost. In the case of Hubs and Whitehall Campus, no void costs are anticipated before March 2020. From March 2020, the GPA will make provision for void risk in its financial plans by, for example, charging higher rents for occupations shorter than the head lease or retaining cashable benefits from its property deals.

- Uncertainty over levels of dilapidations arising: If the GPA takes on a lease that requires the GPA to fully maintain, repair and/or reinstate the property, but the GPA (or its tenants) do not do so, the GPA will be required to pay compensation to its landlord known as dilapidations. However there will be uncertainty as to the amount to pay as this will be decided through negotiation and depend on factors such as the condition of the building and any plans by the landlord to redevelop the site. The GPA has managed this risk by transferring it to its tenants. There is residual risk of non-payment which GPA mitigates by informing tenants of their liabilities each year.

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## 5.8. Effectiveness of risk management

At the end of 2018, the Government Internal Audit Agency (GIAA) carried out an audit on the Agency's risk management processes. Areas of improvement were agreed by the Executive Team, including development of a GPA specific risk policy to more adequately reflect the specialist needs of the Agency, as up until this time the Cabinet Office policy had been adopted. The Agency's risk appetite has been set by the Board and is captured in the risk management strategy.

## 5.9. Statement of internal control

The GPA follows HM Treasury guidance on internal control, intended to provide reasonable assurance and maintain propriety and regularity of expenditure. This is a proportionate approach and not intended to eliminate all risk of failure, so the Accounting Officer can only provide reasonable, not absolute, assurance. Our internal control processes are designed to:

- identify and prioritise the risks affecting our business aims and objectives
- evaluate the likelihood of those risks happening and their likely impact
- manage those risks efficiently and effectively

Internal control processes ensure value for money. Investment decisions over £30,000 require Investment Committee approval, and the Cabinet Office approval to these spends is granted via representation at this Committee. Investment decisions over £5 million must be authorised by the GPA Board before approval is sought from Treasury.

## 5.10. Accounting Officer assurance

The Accounting Officer, Steven Boyd, assumed his role on 10 June 2019. Since his appointment, Steven has completed a comprehensive induction programme including meetings with Executive Team members, the Agency Chair, Board members, the Audit and Risk Committee, and the National Audit Office. Assurance over GPA's governance, risk management and internal controls processes over the course of the year ended 31 March 2019 has been gained through these meetings and, in signing off the 2018-19 accounts and the governance statement, he has relied on the assurances of his predecessor Mike Parsons in respect of matters arising before he was appointed Chief Executive Officer.

## 5.11. Data quality and security

The ability of the GPA to deliver its objectives is critically dependent on data quality.

The GPA undertakes due diligence on the completeness, accuracy and timeliness of data it inherits from departments. This has identified a number of gaps that the GPA has taken ownership of and is in the process of resolving. This is expected to be an ongoing activity as each department joins the GPA.

The GPA is developing its technology strategy which aims to make data available to those that have permission to access it, when and where they need it, in a form that helps people do their job efficiently and effectively, and that enables the GPA to provide strategic insights for its clients. A key part of this strategy was achieved this year with the establishment of an industry standard asset management capability.

The Cabinet Office provides the GPA with independent checks that aim to provide assurance that the controls the GPA has in place to manage information risks, including risks to security, are adequate. This includes assuring the information management assets that the GPA owns and operates on behalf of its customers inside shared buildings (for example, Wi-Fi access points and firewalls).

The General Data Protection Regulations 2016 (GDPR) came into force in May 2018. This introduces new rules for processing personal data. GDPR applies to the “processing” (e. g. collection, holding, use, disclosing, etc. ) of personal data (any information that relates to an identified or identifiable living individual, including name, date of birth, email address, job title, health conditions, etc.). GPA is GDPR compliant following a comprehensive review of personal data and how these are managed across the organisation. The Agency has a GDPR representative who sits within the Corporate Services Team.

All staff in GPA are responsible for understanding the GDPR and measures the Cabinet Office is taking to ensure compliance. GDPR training has been provided to GPA staff and a programme for training and awareness raising is embedded in the induction of new staff. The GDPR implementation programme sets out the processes for centrally monitoring GPA’s future compliance and provide a joined-up approach across its teams.

Risks around data quality are assessed and reported to the GPA Board and Audit and Risk Committee as part of the GPA’s risk management process.

## 5.12. Audit assurance

Representatives from the National Audit Office (NAO) and the GIAA attend the GPA Audit and Risk Committee meetings. An interim finance audit was undertaken by NAO in November 2018 and March 2019 ahead of the main audit in June 2019 with any recommendations being taken on board by the GPA. GIAA conducted four internal audits. These internal audits focused on the areas of risk management, financial assurance and budget management, the Agency’s client on-boarding process and ways of working between the Agency and sponsor function, including the framework document. Actions to address the recommendations made by these audits have been agreed by the Executive. The actions will be monitored by both the Executive Team and the Audit and Risk Committee.

GIAA were also invited to undertake a light touch audit in 2018 around GPA’s exercise of a lease break. This identified a number of lessons to be learned around client and tenant engagement and communication, particularly concerning approvals, reporting and risk management. An action plan was put in place to address the issues identified.

The Head of Internal Audit annually provides an independent opinion on the adequacy and effectiveness of the department’s governance, risk and control arrangements. The Internal Audit reviews conducted during the year contribute to that opinion. GIAA opinion for 2018-19 was “Moderate”, i.e. some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. Particular areas Internal Audit drew management’s attention to were:

- The Government Property Agency (GPA) is a new organisation and some of its processes and procedures, including around risk management, performance reporting and data collection are still developing.

- Customer relationship plans are needed to ensure good communication and secure the buy-in of senior customer staff and the Critical Action Plan process being developed will be key to improving joint consideration of risk and formalisation of approvals.

- GPA is reliant upon financial information from their provider and needs to put in place assurance mechanisms over this information.

## 5.13. Whistleblowing

The GPA adheres to the whistleblowing policy that is applicable to all civil servants, including adherence to the Civil Service Code. Information regarding this policy is available for all staff on the Agency's intranet site. The Audit and Risk Committee is informed at the start of every meeting if any whistleblowing cases have been raised. In 2018-19 there were no such cases.

## 5.14. Fraud

The Government Property Agency adheres to Cabinet Office policy regarding fraud, which requires staff at all times to act honestly, with integrity, and to safeguard the public resources for which they are responsible at all times. All staff must complete mandatory civil service e-learning on this topic each year.

There were no cases of fraud identified in 2018-19.

The GPA Audit and Risk Committee will carry out an annual review of anti-fraud processes within the Agency from 2019. A fraud risk assessment is being carried out to seek assurance on the controls and risk mitigations already in place, identify any gaps and upgrade the controls and mitigations if needed. The findings of this risk assessment will be presented, via formal report to the Audit and Risk Committee later in the year.

# Remuneration and staff report

## 6. Overview

This report sets out the remuneration policy and provides details on remuneration and staff that Parliament considers key to accountability. The following sections are subject to audit: 6.5 Remuneration (salary, benefits in kind and pensions) of Officials who are Board members, 6.9 Fair pay disclosure, 6.10 Fees paid to Non-Executive Board Members, 6.11 Pension benefits of official Board members, 6.16 Staff costs, 6.18 Average number of persons employed, 6.26 Reporting of compensation schemes and exit packages.

## Remuneration Report

### 6.1. Remuneration Policy

The pay of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries (SSRB).

The SSRB takes a variety of factors into consideration when formulating its recommendations. These include:

- the need to recruit, retain and motivate suitably able and qualified people
- regional/local variations in labour markets and their effects on the recruitment and retention of staff
- government policies for improving the public services, including the requirement on departments to meet the output targets for the delivery of departmental services
- the funds available to departments as set out in the government's departmental expenditure limits
- the Government's inflation target
- the evidence it receives about wider economic considerations and the affordability of its recommendations.

The SSRB website[6] contains further information about its work.

The performance management system for senior civil servants is common across all government departments. Pay awards are made in two parts: non-consolidated variable payments, which are used to reward members of staff who demonstrate exceptional performance; and base pay progression, to reward growth in competence.

Non-consolidated payments are paid one year in arrears, so those paid to GPA staff in 2018-19 relate to their performance during 2017-18 year, and are restricted to the top 25% of performers within the Senior civil service.

The Cabinet Office In-Year Bonus scheme for senior civil servants is applicable to senior civil servants in GPA, and recognises outstanding contributions for up to 15% of senior civil servants. An additional cross government In Year Bonus scheme for senior civil servants also launched in 2018-19 to recognise corporate values and behaviours, with rewards of up to £1,000 available for senior civil servants under this scheme.

[6] (https://www.gov.uk/government/organisations/office-of-manpower-economics)

## 6.2. Service Contracts

The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

## 6.3. Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior management (i.e. Board members) of the Agency. In accordance with Treasury guidance per the Financial Reporting Manual (FReM) paragraph 5.3.1, all entities are required to prepare a remuneration report containing certain information about the directors' remuneration. "Directors" shall be interpreted to mean persons in senior positions having authority or responsibility for directing or controlling the major activities of the entity. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or sections within the entity. The Accounting Officer and the Audit and Risk Committee have decided that this requirement encompasses the two posts listed below, whose emoluments and pension details are disclosed. The GPA considers that no other key management staff details need to be disclosed under this guidance for 2018-19.

## 6.4. Remuneration (salary, benefits in kind and pensions) of Officials who are Board members

| Single total figure of remuneration | | | | | |
|---|---|---|---|---|---|
| **Officials** | **Salary (£'000)** | **Non-consolidated payments (£'000)** | **Benefits in kind (to nearest £100)** | **Pensions benefits[7] (to nearest £1,000)** | **Total (£'000)** |
| | **2018-19** | **2018-19** | **2018-19** | **2018-19** | **2018-19** |
| Mike Parsons[8] | 155-160 | 5-10 | - | 23,000 | 180-185 |
| Steve Blake[9] | 95-100 | - | 4,300 | 80,000 | 180-185 |

[7] The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

[8] Mike Parsons is employed by the Cabinet Office, and does not sit on the GPA payroll. The GPA does not provide any payment for Mike Parsons' role as Interim Chief Executive of the Agency. The remuneration above is in relation to his work in Cabinet Office. His pension benefit is for a partnership pension scheme.

[9] Steve Blake received benefit in kind in respect of excess fares for home to work travel whilst on temporary promotion to Finance Director and on loan from the Home Office. This benefit in kind ceased when Steve was made permanent. The GPA met the cost of the excess fares including the personal tax due on those fares.

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As the Agency commenced on 1 April 2018, there is no prior year data specific to GPA as an Agency.

## 6.5. Salary

'Salary' includes: gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these accounts.

## 6.6. Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Agency and treated by HMRC as a taxable emolument. The disclosed benefits in kind include income tax and national insurance liabilities that are met by the GPA.

## 6.7. Non-consolidated payments

Non-consolidated payments are based on performance levels attained and are made as part of the appraisal process. They are not accrued or provided for at 31 March, because the appraisal process is not complete until the summer and entitlement is not agreed until after the appraisal process is complete. As a result, the payments reported in 2018-19 relate to performance in 2017-18 for entitlement which arose for performance in transferring departments.

## 6.8. Fair pay disclosure

| | 2018-19 |
|---|---|
| Band of highest paid Board member's total remuneration (£000) | 100-105 |
| Median remuneration of the workforce (£) | 44,182 |
| Remuneration ratio | 2.3 |

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Board member in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid Board member in the GPA in the financial year 2018-19 was £100,000-£105,000. This was 2.3 times the median remuneration of the workforce, which was £44,182. The remuneration of agency and other temporary staff employed by the GPA was excluded when calculating the median remuneration.

The remuneration of GPA employees ranged from £22,354 to £105,000, excluding Government Commercial Organisation employees, who are invoiced separately.

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

## 6.9. Fees paid to Non-Executive Board Members

| Non-Executive Board Members | Annual Fee Entitlement (£) | Fees Paid 2018-19 (£) |
|---|---|---|
| Jane Hamilton | 15,000 | 13,917 |
| Janet Young | 0 | 0 |
| Liz Peace[10] | 46,875 | 46,875 |
| Mark Collins | 15,000 | 13,917 |
| Mickola Wilson | 15,000 | 13,917 |
| Rupert McNeil | 0 | 0 |
| Robert Razzell | 0 | 0 |
| Sarah Harrison | 0 | 0 |

Non-Executive Board members (with the exception of the Chair) are offered a fee of £15,000 per annum. Individual Board members may waive all or part of their fee entitlement. Fees paid or accrued are included within professional services.

Janet Young, Rupert McNeil, Robert Razzell and Sarah Harrison are not entitled to an annual fee as they are already members of the Civil Service and paid by their current department.

Liz Peace was engaged as a Board member for the full 2018-19 financial year, Janet Young from 26 July 2018 to 31 March 2019, and all other non-executive Board members for the period 27 April 2018 to 31 March 2019.

## 6.10. Pension benefits of official Board members

| Board Members | Accrued pension at pension age as at 31 March 2019 and related lump sum (£'000) | Real increase in pension and related lump sum at pension age (£'000) | CETV at 31 March 2019 (£'000) | CETV at 31 March 2018 (£'000) | Real increase in CETV (£'000) | Employer contribution to partnership pension account (nearest £100) |
|---|---|---|---|---|---|---|
| Mike Parsons[11] | - | - | - | - | - | 23,400 |
| Steve Blake | 20 - 25 plus a lump sum of 45 - 50 | 2. 5 - 5 plus a lump sum of 5 - 7. 5 | 422 | 320 | 56 | - |

[10] The contractual fee entitlement for Liz Peace changed on 1 January 2019 when the number of days per week worked was reduced. For the period 1 April 2018 to 31 December 2018 the fee entitlement was £50,000. From the 1 January 2019 the fee entitlement was £37,500.
[11] Mike Parsons opted to have a partnership pension account rather than joining the PCSPS.

## 6.11. Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes. ) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4. 6% and 8. 05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2. 3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2. 32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14. 75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0. 5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages. )

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

### 6.12. Cash equivalent transfer value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### 6.13. Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## Remuneration and Staff Report

### 6.14. Staff costs

| £'000 | Permanently employed staff | Others | Total 2018-19 |
|---|---:|---:|---:|
| Wages, salaries and fees[12] | 5,126 | - | 5,126 |
| Social security costs | 747 | - | 747 |
| Other pension costs | 1,038 | - | 1,038 |
| Untaken annual leave | 202 | - | 202 |
| Agency/temporary | - | 2,656 | 2,656 |
| **Total staff costs** | **7,113** | **2,656** | **9,769** |

[12] This includes the following: Salaries, Overtime, Apprenticeship Levy, Statutory Sick Pay, Statutory Maternity Pay, Honorarium and Childcare Admin Vouchers

## 6.15. Staff Pensions

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “Alpha” – are unfunded multi-employer defined benefit schemes but the Government Property Agency is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the PCSPS as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation here (https://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/).

For 2018-19, employers’ contributions of £1.0 million were payable to the PCSPS at one of four rates in the range of 20% to 24.5% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers’ contributions of £5,129 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75%. Employer contributions to the partnership pension scheme for Mike Parsons were paid by the Cabinet Office.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £174, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

There were no contributions due to the partnership pension providers at the 31 March 2019.

## 6.16. Average number of persons employed

| | **2018-19** | | |
|---|---|---|---|
| | **Permanent[13]** | **Temporary[14]** | **Total** |
| Directly Employed | 68 | 40 | 108 |
| Others[13] | 4 | 15 | 19 |
| Total | 72 | 55 | 127 |

On 1 April 2018 approximately 80 civil servants transferred to the GPA, from the Cabinet Office, when the Agency went live. A further 27 people from UK Shared Business Services Ltd (UK SBS) and two people from the Ministry of Justice transferred into the Government

[13] Includes those employed permanently on Government Property Agency Payroll and those through the Government Commercial Organisation
[14] Includes those on Loan or Fixed Term Appointments with the Government Property Agency, as well as contingent labour

Property Agency on 1 April 2018. One person transferred from Crown Commercial Service on 1 January 2019.

In March 2019, the GPA had 15 Senior Civil Servants working in the agency. The breakdown of these by level is shown below.

## 6.17. Senior Civil Servants

The table below shows the number of senior civil servants (SCS) employed by the Government Property Agency as at 31 March 2019.

| | **Headcount** |
|---|---|
| Senior Civil Servants on GPA payroll: | |
| Chief Executive, Director General (SCS3 £111,500-£208,000) | - |
| Director (SCS2 £90,500-£162,500) | 3 |
| Deputy Director (SCS1 £68,000-£117,800) | 7 |
| **Subtotal** | **10** |
| Senior Civil Servants not on GPA Payroll[15]: | |
| Chief Executive, Director General (SCS3 £111,500-£208,000) | 1 |
| Senior Commercial Specialist (SCS2 £130,000-£193,819) | 2 |
| Commercial Specialist (SCS1 90,000-£131,300) | 2 |
| **Subtotal** | **5** |
| **Total Senior Civil Servants working in GPA** | **15** |

## 6.18. Staff composition[16]

The below tables provide a breakdown, by gender, of all the staff employed by the GPA as at 31 March 2019.

| | **Male Headcount** | **Female Headcount** | **Total Headcount** |
|---|---|---|---|
| Board Members | 1 | 0 | 1 |
| Senior Civil Servants | 5 | 4 | 9 |
| All other staff | 56 | 42 | 98 |
| **Total** | **62** | **46** | **108** |

[15] The interim Chief Executive is not on GPA payroll as he is employed by the Cabinet Office in 2018-19. Two Directors and two Deputy Directors are not on GPA payroll as they are employed by the Government Commercial Organisation and loaned back out to GPA.
[16] Staff composition relates to staff employed by Government Property Agency payroll

| | Male (%) | Female (%) |
|---|---|---|
| Board Members | 100 | 0 |
| Senior Civil Servants | 56 | 44 |
| All other staff | 57 | 43 |

The gender split of the GPA Board is 50-50% male-female as the GPA has a total of 10 members, five men and five women although only one, Steve Blake, is on the GPA payroll.

## 6.19. Sickness and absence

The sickness absence figure for the rolling 12 months to 31 March 2019 stands at 1.28 average working days lost per member of staff.

## 6.20. Employment, training and advancement of disabled persons

The GPA applies the Recruitment Principles of the Civil Service Commission, appointing candidates based on merit through fair and open competition. Recruitment and selection training, which has a core focus of raising awareness of unconscious bias, is offered to all chairs of GPA recruitment panels.

The GPA promotes training for all staff on avoiding unconscious bias, and for managers, the disability confident leaders training is a requirement.

The GPA promotes a number of cross-government talent schemes to disabled staff. This includes Civil Service wide talent schemes such as the Future Leaders Scheme (aimed at staff in grades 6 and 7) and the Senior Leaders Scheme (aimed at staff in senior civil service pay band 1). It also promotes development schemes aimed specifically at disabled staff, including the Accelerate talent programme (for senior civil servants) and the Positive Action Pathway (for staff below the senior civil service).

## 6.21. Health and safety

The GPA recognises its obligations under the Health and Safety at Work etc. Act 1974, for ensuring, so far as is reasonably practicable, the health, safety and welfare of its employees and others that may be affected by its operations and/or activities.

The offices occupied by the GPA provide a safe working environment for our staff. Currently, this is done in accordance with Cabinet Office health and safety policy, including access to qualified first aiders. The GPA is currently developing its own health and safety policy for staff, and will publish this guidance on the GPA intranet. There is a GIAA audit underway around health and safety as part of this development.

Health and safety provision for the buildings managed by the Agency is provided and reported on by the Facilities Management team within the Operations Directorate. Regular reporting is cascaded to the Executive Team and GPA Board. This includes a monthly update on any health and safety related incidents, as well as relevant actions and mitigations for the future, and a health and safety update is included within the CEO report for each Board meeting with inputs from all Directorate areas.

On a wider scale, the Government Hubs programme is focusing on health and wellbeing through the incorporation of the principles behind the WELL building standard. WELL is the world's first, and to date, only building standard focused exclusively on human health and wellness. By adopting some of these principles, the GPA aims to facilitate the creation of workspaces that promote and enhance occupant health and wellbeing to be central to the design and fit out of the Government Hubs buildings.

## 6.22. Monitoring spending on consultancy and temporary staff

Expenditure on consultancy and temporary staff not included within staff costs was £53,607 in 2018-19.

Expenditure on consultancy and the need for temporary staff within the GPA is largely dependent on the nature of the projects being undertaken and the expertise required.

## 6.23. Reporting of off-payroll appointments

The GPA provides information about appointments of consultants or staff that last longer than six months and where the individuals earn more than £245 per day, where we pay by invoice rather than through the payroll. We only use these arrangements where we cannot avoid them and minimise their use.

| **For all off-payroll engagements as of 31 March 2019, for more than £245 per day and that last for longer than six months** | |
|---|---|
| Number of existing engagements as of 31 March 2019 | 10 |
| Of which[17]… | |
| Number that have existed for less than one year at time of reporting. | 7 |
| Number that have existed for between one and two years at time of reporting. | 2 |
| Number that have existed for between two and three years at time of reporting. | 1 |
| Number that have existed for between three and four years at time of reporting. | 0 |
| Number that have existed for four or more years at time of reporting. | 0 |

New off-payroll working rules for public sector organisations called "IR35" were put in place from April 2017 to make sure that where an individual would have been an employee if they were providing their services directly, they pay broadly the same tax as an employee, with the requirement for the employer to deduct tax at source.

[17] Where the date is greater than the year, the individual worked on activities that are now part of the GPA in a transferring organisation

| For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that last for longer than six months | |
|---|---|
| Number of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019 | 7 |
| Of which… | |
| Number assessed as caught by IR35 | 0 |
| Number assessed as not caught by IR35 | 7 |
| Number engaged directly (via PSC contracted to department) and are on the departmental payroll | 0 |
| Number of engagements reassessed for consistency / assurance purposes during the year. | 0 |
| Number of engagements that saw a change to IR35 status following the consistency review. | 0 |

| For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019 | |
|---|---|
| Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year. | 0 |
| Total number of individuals on payroll and off-payroll that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year. | 9 |

## 6.24. Reporting of compensation schemes and exit packages

Redundancy and other departure costs are paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in this section. In cases where the employee has accepted the offer made by the Department, the cost of termination benefit is accrued within wages, salaries and fees.

There were no costs incurred relating to compensation schemes or exit packages in 2018-19 as the GPA had no exits of this nature.

## 6.25. Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. These regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation.

The GPA had no trade union officials between 1 April 2018 and 31 March 2019. The GPA utilises the Cabinet Office trade union officials for the purpose of negotiation and consultation.

# 7. Parliamentary accountability and audit report

## 7.1. Overview

This section contributes to the Agency's accountability to Parliament and is subject to audit. Regularity of expenditure reports losses and special payments - regularity refers to the principle that all consumption of resources should be made in accordance with the legislation authorising them, any applicable delegated authority and the principles set out in Managing Public Money. Disclosures on fees and charges and remote contingent liabilities are required by Managing Public Money.

In his certificate and report to the House of Commons, the Comptroller and Auditor General provides his opinion on regularity and whether the Remuneration and Staff Report and Parliamentary Accountability Disclosures have been properly prepared and are consistent with the financial statements, and whether the information given in the Performance Report and Accountability Report is consistent with the financial statements. The following sections are subject to audit: 7.2 Regularity of expenditure; 7.3. Fees and Charges and 7.4. Remote Contingent Liabilities.

## 7.2. Regularity of expenditure

Where they occur, the Statement of Comprehensive Net Expenditure includes losses, such as write-offs of irrecoverable debts and fruitless payments. The Statement of Comprehensive Net Expenditure includes extra contractual special payments. The GPA had no reportable losses or special payments in 2018-19.

## 7.3. Fees and charges

The GPA has been established to support better utilisation of the Government Estate. As part of its ordinary course of business, the GPA charges fees to other government bodies to recover its costs. Details are included within the segmental analysis in note 4 to the accounts.

## 7.4. Remote Contingent liabilities

There are no remote contingent liabilities that require disclosure and reporting to HM Treasury in the Annual Report and Accounts.

## 7.5. European Union exit

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a two-year negotiation process between the UK and the EU. On 11 April 2019, the government confirmed agreement with the EU on an extension until 31 October 2019 at the latest, with the option to leave earlier as soon as a deal has been ratified. There are no significant impacts on the financial statements in the short term. The GPA has no remote contingent liabilities nor assets.

Steven Boyd
Chief Executive Officer and Accounting Officer
16 July 2019

# The Certificate and Report of the Comptroller and Auditor General to the House of Commons

**Opinion on financial statements**

I certify that I have audited the financial statements of Government Property Agency for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Government Property Agency's affairs as at 31 March 2019 and of the net income for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

**Opinion on regularity**

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

**Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Government Property Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Conclusions relating to going concern**

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Government Property Agency's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

**Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

**Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government Property Agency's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

**Other Information**

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

**Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;

- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or

- I have not received all of the information and explanations I require for my audit; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

**Gareth Davies**
**Comptroller and Auditor General**

**Date** 17 July 2019

National Audit Office
157-197 Buckingham Palace Road
Victoria London
SW1W 9SP

# Financial Statements

## Statement of Comprehensive Net Expenditure

For the year ended 31 March 2019

| | Note | 2018-19 £'000 |
|---|---|---|
| Operating income | 2 | (163,359) |
| Capital Grants in Kind | 16 | (108,587) |
| **Total operating income** | | **(271,946)** |
| | | |
| Staff costs | 3 | 9,769 |
| Other costs | 3 | 159,984 |
| Non-cash items | 3 | ( 3,827) |
| **Total operating expenditure** | | **165,926** |
| | | |
| **Net operating income** | | **(106,020)** |
| | | |
| **Non-operating income** | | |
| Gain on acquisition (transfer of function) | 15 | (33,851) |
| **Total non-operating income** | | **(33,851)** |
| | | |
| **Net income for the year** | | **(139,871)** |
| | | |
| **Other comprehensive income/expenditure** | | |
| **Items that will not be reclassified to net operating costs** | | |
| | | |
| Net (gain)/loss on | | |
| Revaluation of Property, plant and equipment (PPE) | 5 | (2,219) |
| | | |
| **Total comprehensive net income for the year** | | **(142,090)** |

*All income and expenditure relates to continuing operations.*
*The notes on pages 42 to 60 form part of these accounts*

# Statement of Financial Position
As at 31 March 2019

| | Note | 31 March 2019 £'000 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 5 | 195,325 |
| Trade and other receivables | 6 | 35,798 |
| **Total non-current assets** | | **231,123** |
| **Current assets** | | |
| Trade and other receivables | 6 | 52,553 |
| Cash and cash equivalents | 7 | 7,600 |
| **Total current assets** | | **60,153** |
| **Total assets** | | **291,276** |
| **Current liabilities** | | |
| Trade and other payables | 8 | (54,712) |
| Provisions | 10 | (2,415) |
| **Total current liabilities** | | **(57,127)** |
| **Total assets less current liabilities** | | **234,149** |
| **Non- current liabilities** | | |
| Provisions | 10 | (37,724) |
| **Total non- current liabilities** | | **(37,724)** |
| **Total assets less total liabilities** | | **196,425** |
| **Taxpayers' equity and other reserves** | | |
| General fund | SOCTE | 164,714 |
| Revaluation reserve | SOCTE | 31,711 |
| **Total equity** | | **196,425** |

Steven Boyd
Chief Executive Officer and Accounting Officer
16 July 2019

*The notes on pages 42 to 60 form part of these accounts*

# Statement of Cash Flows

For the year ending 31 March 2019

| | Note | 2018-19 £'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net operating expenditure | | 106,020 |
| **Adjustment for non-cash item** | | |
| Adjustments for non-cash income: | 17 | (142,438) |
| Increase in trade and other receivables | 17 | (81,829) |
| Increase in trade payables | 17 | 28,134 |
| Adjustments for non-cash expenditure | 17 | 34,385 |
| Movement in capital accruals relating to investing | | (1,241) |
| **Net cash outflow from operating activities** | | **(56,969)** |
| Gain on acquisition | 15 | 33,851 |
| **Net cash inflow from non-operating activities** | | **33,851** |
| **Cash flows from investing activities** | | |
| Purchase of Property, plant and equipment | 5 | (24,723) |
| Movements from capital accruals | | 1,241 |
| **Net cash outflow from investing activities** | | **(23,482)** |
| **Cash flows from financing activities** | | |
| Cabinet Office funding | SOCTE | 54,200 |
| **Net financing** | | **54,200** |
| **Net increase/(decrease) in cash in the period** | | |
| Increase in cash | 7 | 7,600 |
| Cash and cash equivalents at the beginning of the period | 7 | - |
| **Cash and cash equivalents at the end of the period** | 7 | **7,600** |

*The notes on pages 42 to 60 form part of these accounts*

# Statement of Changes in Taxpayers' Equity

For the year ending 31 March 2019

| | Note | General Fund £'000 | Revaluation Reserve £'000 | Total Reserves £'000 |
|---|---|---|---|---|
| **Balance at 1 April 2018** | | **-** | **-** | **-** |
| Cabinet Office funding | SOCF | 54,200 | - | 54,200 |
| Net income for the year | SOCNE | 139,871 | - | 139,871 |
| **Non-cash adjustments** | | | | |
| Notional charges – auditors remuneration | 3 | 135 | - | 135 |
| **Movement in reserves** | | | | |
| Recognised in Other Comprehensive Expenditure: | | | | |
| Creation of Revaluation Reserve | 16 | (29,492) | 29,492 | - |
| Net gain/ (loss) on revaluation of Property, Plant & Equipment | 5 | - | 2,219 | 2,219 |
| **Balance at 31 March 2019** | | **164,714** | **31,711** | **196,425** |

*The notes on pages 42 to 60 form part of these accounts*

# Notes to the Accounts

## 1. Statement of accounting policies

### 1.1 Statement of compliance

These accounts have been prepared under the Government Resources and Accounts Act 2000 and in accordance with the 2018-19 Government Financial Reporting Manual (FReM) issued by HM Treasury (HMT). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The accounts have been prepared under an accounts direction issued by HM Treasury. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Government Property Agency (GPA) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the GPA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### 1.2 Basis of preparation

These accounts have been prepared on an accruals basis under the historical cost convention modified to account for the revaluation of Property, plant and equipment. The GPA was created on 1 April 2018 to hold, manage and get the best out of the government's general purpose accommodation and has not been established with a profit motive. These accounts therefore have no opening balances and there are no prior year comparatives. The GPA has grown through 2018-19 by the transfer of assets from other government departments as part of its programme of on-boarding activities, which will continue over the next 2-3 years. The GPA has also taken on the Hubs development programme from the Cabinet Office. The GPA is consolidated within the Cabinet Office Group. GPA has no subsidiaries.

### 1.3 Going concern

The accounts for the GPA have been prepared on the basis that the GPA is a going concern. Parliament has authorised spending for 2019-20 in the Central Government Main Supply Estimates 2019-20 (HC 957). In addition to the receipt of funding from the Cabinet Office (CO), the GPA invoices property costs to the tenant occupiers with the longer term intention that the GPA becomes a self-funding Agency.

### 1.4 Judgements and key sources of estimation uncertainty

The preparation of accounts requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the Statement of Financial Position (SOFP) and amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the GPA's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the accounts:

***Transfer of assets from other government departments***

The transfer of assets and programmes to the GPA have been assessed in accordance with the FReM and other frameworks covering all such transfers.

Where it can be demonstrated that a "Transfer of Function" has taken place within a departmental group the transfer has been applied as Transfer by Absorption, with net assets being brought onto the accounts at carrying value from the date of transfer and recognition of a non-operating gain or loss on transfer.

Where individual assets have been transferred without a function, they were transferred at fair value from the date of transfer with an equal and opposite operating capital grant in kind to the Statement of Comprehensive Net Expenditure. This treatment aligns with that applied under International Accounting Standard (IAS) 20 *Accounting for government grants and disclosure of government assistance* to assets funded by way of grant, where assets transferred for nil consideration are considered to be donated assets in kind.

***IAS 16 treatment for Property, plant and equipment***

IAS 16 – *Property plant and equipment* has been applied to all of the Property, plant and equipment held by the GPA. The prime objective of the GPA is to facilitate the efficient use of government estate assets and these assets are therefore not being held to generate a return or for capital appreciation. The adoption of IAS 40 *Investment Property* is not considered appropriate as assets are being held for operational purposes rather than as investment assets. The budgeting consequences of adopting IAS16 will be no different than if properties had remained on an individual department's books. On this basis, HMT has agreed to the GPA adopting IAS 16.

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

The GPA makes judgements about the classification of long-term arrangements as containing a lease based on an evaluation of the terms and conditions of each arrangement, whether the arrangement depends on a specific asset or assets and whether the arrangement conveys a right to use the asset.

***Lease classification***

***GPA as a lessee***

The GPA determines, based on an evaluation of the terms and conditions of each arrangement, whether it retains or acquires the significant risks and rewards of ownership of the assets and whether it meets the criteria for recognition as a finance or operating lease in accordance with IAS 17 *Leases*.

The GPA uses the following criteria to determine if the lease is finance or operating in nature:

- Whether the lease transfers ownership of the asset to the lessee by the end of the lease term;
- Whether the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- Whether the lease term is for the major part of the economic life of the asset even if title is not transferred;
- Whether the leased assets are of such a specialised nature that only the lessee can use them without major modifications; and
- Whether at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

***GPA as a lessor***

The GPA makes judgement as to who in substance should recognise the asset under the provisos of IAS 16.7. For a tenant to recognise the asset they would be substantially consuming the benefit of the asset. To assist with the judgement the following criteria are considered in addition to the criteria as a lessee:

- Whether the signed Terms of Occupation Agreements (TOA) are of a similar length to the useful economic life of the asset;
- Whether the building is multi tenanted or just occupied by the prior "owner";
- Whether the asset is shared or is in use for one particular tenant.

There is a materiality of £1 million for considering assets as standalone for the purposes of the above considerations; where an individual item falls below this threshold, they will be grouped together as appropriate with assets within the same GPA occupation (where possible).

***Leasehold improvements***

Where leasehold improvements have taken place, a review of the head lease and the TOA in relation to the property is undertaken by the GPA. If the majority of the property improved is occupied by a sole tenant and the occupant's tenancy is for the life of the head lease then the tenant is deemed to be in receipt of economic benefit and therefore the asset is recognised by the tenant rather than GPA. Where the improvements are deemed to be for the benefit of all tenants, the life of those improvements extends past individual tenancies and the cost is collected via charges, GPA recognises the leasehold improvements within Property, plant and equipment.

***Property Valuations***

Freehold properties held by the GPA are shown at fair value as calculated by independent qualified valuation experts. Valuations are based on a number of key assumptions, including an estimate of future rental income, anticipated future costs, and a discount rate. The valuers also compare their valuations to market data for other similar assets.

***Impairment of assets***

The GPA assesses whether there are any indicators of impairment for all financial and non-financial assets at each reporting date. Assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Impairments of non-current property assets that are due to a clear consumption of economic benefit are recognised in the Statement of Comprehensive Net Expenditure (SOCNE) rather than set against an available revaluation reserve.

Impairments of trade and other receivables stem from doubtful debt provisions and bad debt write offs. A credit loss is recognised in the SOCNE and a loss allowance is established against specific debts by reference to payment history against settlement terms and expectancy of future payments. Where the credit risk increased significantly and the risk is no longer considered low the full lifetime expected credit losses are recognised in the SOCNE.

***Dilapidation Provisions***

Provisions for dilapidation charges are based on the best estimate of the amount required to settle the obligation following an assessment of risks and uncertainties, terms of legal agreements, and where appropriate, independent professional valuation reports.

A provision is made for estimated costs based on valuations where the likelihood of settlement is material and imminent or via the use of industry standard calculations/methodologies. A corresponding receivable, calculated on the same basis will also be recognised in the SOFP with any difference from the established liability arising from voids being recognised in the SOCNE.

### 1.5 Operating segments

Operating segments are based on the main areas of business activity and align with performance reporting. They are evaluated regularly by the Chief Operating Decision Maker (CODM) in deciding how to allocate resources and in assessing performance. The CODM has been identified as the Accounting Officer supported by the Board.

### 1.6 Employee benefits

***Short-term benefits***

Where an employee has rendered service to the GPA during the financial year, the GPA recognises as an expense the undiscounted amount of short-term employee benefits expected to be paid wholly in exchange for that service before 12 months after the end of the reporting period.

Annual leave earned but not taken by year-end is recognised on an accruals basis.

Performance non-consolidated payments are recognised when the appraisal process has been finalised.

## 1.7 Revenue

Revenue is the gross inflow of economic benefits arising from the ordinary operating activities of the GPA.

IFRS 15 *Revenue from contracts with customers* is based on the principle that revenue is recognised when control of a good or service passes to a customer. IFRS 15 has been effective for the GPA from inception. IFRS 15 does not impact gross rental income, which is accounted for under IAS 17, but does impact service charge income and other miscellaneous revenue.

***Operating income recognised in SOCNE***

***Rental income***

Rental income, including fixed rental uplifts, is recognised in accordance with IAS 17 on a straight-line basis over the term of the lease which is considered to be the date of the lease commencement to the earliest termination date. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Lease incentives, such as rent free periods and contributions towards tenant costs are recognised evenly over the period from the date of the lease commencement to the earliest termination date. Incentives for the agreement of a new or renewed operating lease are recognised as a reduction of the rental expense over the lease term, irrespective of the incentive's nature or form, or the timing of payments.

***Other income***

Other income relates to capital grant income and non-rental income, which have been recognised in accordance with IFRS 15. Service charge and utilities recharge revenue is recognised in accordance with IFRS 15 revenues from contracts with customers. This revenue arises from tenant leases, which provide for the recovery of all or a portion of the operating expense incurred by the GPA. The non-rental element of the contract is separated from the lease element and assessed by reference to the operating costs incurred in relation to each lease and rental space. Non-rental revenue is recognised in the same period as the expenses are incurred. This income is recognised when it is received or when the right to receive payment is established.

***Non-operating income recognised in the SoCNE***

Non-operating income relates to the on boarding of activities into the GPA being capital grants in kind for assets transferred in line with the GPA functions and a gain on acquisition as a result of the “Transfer of Function”.

Capital grant in kind is the mechanism for the transfer of assets from one public sector body to another for nil consideration. The recognition criteria are set out in the FReM and results in assets recognised as donated assets with equal and opposite capital grant in kind income in accordance with IAS 20.

A net operating gain (or loss) on acquisition is reflected in the accounts of the two bodies involved. The GPA has recognised a non-operating gain on transfer in this 2018-19 Annual Report and Accounts, the information is reconciled in note 15.

## 1.8 Taxation

Some of the activities of the GPA are outside the scope of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT. The net amount due from/to HM Revenue and Customs (HMRC) in respect of VAT is included within receivables and payables in the SOFP as appropriate.

The GPA is not subject to corporation, income or capital gains tax.

### 1.9 Property, plant and equipment

Property, plant and equipment is recognised initially at cost and thereafter carried at fair value less depreciation and impairment charged subsequent to the date of revaluation, except for art and antiques which are treated as Heritage Assets which are non-depreciating. Cost comprises the value of the donated asset or the amount of cash paid to acquire the asset and includes any costs necessary to bring the asset into working condition for its intended use. The capitalisation threshold for expenditure on Property, plant and equipment is £5,000.

Some heritage assets, have been transferred to the GPA. The value of these are immaterial and on this basis they are neither revalued, depreciated nor indexed.

Any revaluation surplus is credited to the revaluation reserve except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in the SOCNE, in which case the increase is recognised in the SOCNE. A revaluation deficit is recognised in the SOCNE, except to the extent of any existing surplus in respect of that asset in the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefit are taken to the SOCNE.

### 1.10 Depreciation and impairment on Property, plant and equipment

Property, plant and equipment are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Useful lives and residual values are reviewed annually and, where adjustments are required, these are made prospectively. Asset lives are normally in the following ranges:

| | |
|---|---|
| Freehold buildings, including dwellings | 17 to 60 years |
| Leasehold building improvements | over the remaining term of the lease |
| Information technology and office equipment | 3 to 6 years |
| Plant and machinery | 3 to 10 years |
| Furniture and fittings | 3 to 14 years |

Assets in the course of construction are not depreciated until the assets are available for use. No depreciation is provided on freehold land and heritage assets since they have unlimited or very long estimated useful lives, nor on non-current assets held for sale which meet IFRS 5 *Non-current Assets Held for Resale and Discontinued Operations* criteria. Assets continue to depreciate until they are derecognised, even if during that period they are idle.

The carrying values of Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If an asset is determined to be impaired, the asset is written down immediately to its recoverable amount.
Where there is no reasonable certainty that the GPA will obtain ownership at the end of the lease – the asset is depreciated over the shorter of the lease term or the life of the asset.

### 1.11 Revaluation of Land and Buildings and Dwellings

Land and buildings are restated to fair value every five years using professional valuations prepared in accordance with current Royal Institution of Chartered Surveyors (RICS) valuation standards. Each property is revalued on a rotational basis on a five year cycle. In the interim years annual indexation is applied at a rate deemed to be appropriate by the independent valuers.

Land and Buildings have been valued using the Office Index – Mid Town and West End which is 4. 11% and Dwellings have been valued using the Residential Index – City of Westminster, which is -14. 03% as advised by Montagu Evans; the independent valuers.

### 1.12 Donated assets

Donated assets which are held for their service potential are capitalised at current value in existing use. The value of donated assets is recognised as capital grant-in-kind income. Any subsequent revaluation surplus is credited to the revaluation reserve except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in the SOCNE, in which case the increase is recognised in the SOCNE. A revaluation deficit is recognised in the SOCNE, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

### 1.13 Finance Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases.
Finance leases are recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

### 1.14 Operating Leases

Operating leases are charged to the SOCNE on a straight-line basis over the lease term.
Rental income arising from operating leases are accounted for on a straight line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight line basis.

### 1.15 Financial assets

IFRS 9 *Financial Instruments* reflects the business model in which assets are managed and their cash flow characteristics and contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit and Loss (FVTPL) or net operating expenditure as interpreted by the FREM.

***Trade receivables***

Trade and other receivables are recognised in line with IFRS 9 initially at fair value and recoverable amount and subsequently measured at amortised cost.

Impairments of trade and other receivables stem from doubtful debt provisions and the write off of bad debt. A credit loss is recognised in the SOCNE and a loss allowance is established against specific debts by reference to payment history against settlement terms and expectancy of future payments.

Balances with core central government departments (including their executive agencies), the Government's Exchequer Funds16, and the Bank of England are excluded from recognising stage-1 and stage-2 impairments. In addition, any Government Exchequer Funds' assets where repayment is ensured by primary legislation are also excluded from recognising stage-1 and stage-2 impairments. Arm's Length Bodies (ALBs) are excluded from the exemption unless they are explicitly covered by guarantee given by their parent department. These liabilities are assessed as having zero 'own credit risk' by the entities holding these liabilities. Where the credit risk increased significantly and the risk is no longer considered low the full lifetime expected credit losses are recognised in the SOCNE.

### 1.16 Cash and cash equivalents

Cash in the SoFP comprises cash at bank and in hand. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash only.

The GPA is funded by Parliamentary Funding drawn down through the Cabinet Office as part of the Supply process - the GPA draws down Funding from the Consolidated Fund via the Cabinet Office, up to the limits set and agreed as part of the Supply Estimates process.

### 1.17 Financial liabilities

Financial liabilities are classified as either financial liabilities at amortised cost through SOCNE or other financial liabilities. Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

***Trade payables and accruals***

Trade payables and accruals are recognised initially at cost, which is deemed to be materially the same as the fair value and subsequently measured at amortised cost.

**1.18 Provisions**

A provision is recognised when the GPA has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

For dilapidations, a provision is made for estimated costs based on valuations where the likelihood of settlement is material and imminent or via the use of industry standard calculations/methodologies.

HMT discount rates for general provisions are applied where appropriate.

**1.19 Contingent liabilities and contingent assets**

Contingent assets and liabilities are treated in accordance with IAS *37 Provisions, Contingent Liabilities and Contingent Assets*, where they meet the criteria.

The GPA discloses a contingent asset where it is probable that there will be an inflow of economic benefits from an event whose outcome is uncertain. An estimate of the financial effect is indicated where possible.

**1.20 Impending application of newly issued accounting standards not yet effective**

*The following standards and amendments are expected to be applied in 2020-21 following EU adoption and review*

**IFRS 16 Leases**

IFRS 16 *Leases* deals with the definition of a lease and recognition and measurement of leases and establishes principles for disclosures. The standard replaces IAS 17 and is effective under the FReM for accounting periods beginning on or after 1 April 2020. The Agency will adopt IFRS 16 with effect from 1 April 2020.

For arrangements where the Agency is the lessee, IFRS 16 will result in almost all operating leases being brought on the balance sheet, as the distinction between operating and finance leases is removed, and is replaced by a model where a right of use asset and a corresponding liability are recognised except for short term leases and leases of low value assets. The right of use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. Cost comprises the initial measurement of the lease liability together with lease payments made on or before the lease commencement date, initial direct costs and an estimate of any repairs and/or reinstatement costs. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. The classification of cash flows will also be impacted as operating lease payments under IAS 17 are presented in operating cash flows; whereas under the IFRS 16 model, the lease payments are split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. In addition, extensive disclosures are required by IFRS 16.

The standard will also impact the Agency's financial position as a lessor, and it will have to assess whether the lease should be treated as finance lease or operating lease. Where it is determined that as lessor a finance lease is the appropriate treatment, the right of use asset (or in some cases freehold property asset) will be derecognised in favour of a lease receivable, which will be amortised in a similar manner to the lease liability as described above, but recognising interest as income. A gain or loss on disposal of the right of use or freehold property asset will be recognised in the statement of changes in net expenditure at the time of the recognition of the lease receivable. The Agency does not expect that any of the leases currently held as lessor should be treated as a finance lease.

The Agency will adopt the modified retrospective transition option provided by the standard which allows the right-of-use assets to be measured on transition at the amount of the lease liability on adoption calculated on the basis of prospective cash flows to the end of the lease.

The following disclosures relating to the remaining lease commitments are based on leases existing at the current reporting date and will be affected by leases contracted in the ensuing period to 1 April 2020.

The Agency expects to recognise lease liabilities and an increase to Property, plant and equipment of approximately £423.1 million through the recognition of lessee contracts on 1 April 2020.

Overall, net assets will be unaffected by the transition. The Agency expects that underlying net expenditure will increase by approximately £5. 8 million for 2020 as a result of adopting the new rules.

The following standard is expected to be applied in 2021-22 following EU adoption and consultation
IFRS 17 *Insurance* - It is not envisaged that the expected changes will have any impact on the GPA.
The EU has postponed the endorsement process of IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*.

## 2. Operating income

| | 2018-19 |
|---|---|
| | £'000 |
| Rental income | 79,993 |
| Non-rental income | 77,142 |
| Income from capital grants | 6,224 |
| **Total** | **163,359** |

The GPA receives non-rental income from the asset and facilities management services it provides to tenants of its freehold and leasehold buildings. GPA tenancies are with other government bodies (with one exception) and are supported by MOTOs and TOAs, which set out the services to be provided. The GPA received £77.1 million for these services in 2018-19. Services are billed quarterly in advance based on estimated costs, with an annual adjustment to actual costs incurred. Impairment reviews are carried out annually.

## 3. Expenditure

| | | 2018-19 |
|---|---|---|
| | | £'000 |
| **Staff costs** | | |
| Wages and salaries | | 5,106 |
| Agency staff | | 2,656 |
| Annual leave accrual | | 202 |
| Other pension costs | | 1,038 |
| Social security costs | | 747 |
| Apprenticeship levy | | 20 |
| | | **9,769** |
| **Operating costs** | | |
| Accommodation and utilities | | 130,088 |
| Rates | | 22,332 |
| Professional services | | 3,104 |
| Other staff-related costs | | 1,761 |
| IT costs | | 1,412 |
| Supplies and services | | 433 |
| Travel, subsistence and hospitality | | 800 |
| Consultancy | | 54 |
| | | **159,984** |
| **Non-cash items** | | |
| Depreciation | 5 | 10,412 |
| Movement in provisions | 10 | (14,374) |
| External auditors' remuneration | | 135 |
| | | **(3,827)** |
| **Total** | | **165,926** |

No payments have been made to the external auditors for non-audit work.

## 4. Segmental Analysis

In accordance with IFRS 8 *Operating segments*, the GPA is required to report financial and descriptive information about its operating segments. These are components about which separate financial information is available. Financial information is required to be reported on the same basis as is used internally by the GPA decision makers, these are the Board and the Chief Executive Officer and they evaluate performance regularly using operating segments.

The GPA summarises its activities into two main segments as set out below:

| | **GPA Properties** | **GPA** | **Total** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| Operating Income | (263,551) | (8,396) | (271,947) |
| Expenditure | 147,758 | 18,169 | 165,927 |
| **Net Operating income** | **(115,793)** | **9,773** | **(106,020)** |

GPA properties include the operational running expenditure and income of our estate. GPA includes the operational running expenditure and income of the Agency.

There are no significant transactions between the segments and where costs relate to more than one segment they are apportioned appropriately with reference to the underlying substance of the transaction. Operating income includes Capital Grants in Kind of £108.6 million arising from the donation of assets to the GPA as part of its on-boarding process.

All non-current assets, which form a significant part of the SOFP relate to GPA Properties.

**Major customers**

The GPA's largest customer excluding Capital Grants in Kind is BEIS. Income from BEIS totalled £47.0 million for the year ended 31 March 2019.

## 5. Property, plant and equipment

| | Land | Buildings excl. Dwellings | Dwellings | IT | Plant & Machinery | Leasehold Improve-ments | Fixtures and Fittings | Heritage Assets | Assets under construc-tion | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Cost or valuation** | | | | | | | | | | |
| **At 1 April 2018** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Additions | - | - | - | 1 | 3 | 7 | 31 | - | 24,681 | 24,723 |
| Donations –Other | - | 7,714 | - | - | - | 58 | - | - | - | 7,772 |
| Donations - CO | 42,974 | 49,811 | 7,972 | | - | - | - | 58 | | 100,815 |
| Transfer of function | - | | - | 1,540 | 287 | 3,916 | 2,576 | - | 61,889 | 70,208 |
| Revaluations | 1,414 | 1,959 | (1,119) | - | - | - | - | - | - | 2,254 |
| Reclassifications | - | (7,720) | - | 2,330 | - | 85,312 | 1,488 | - | (81,410) | - |
| **At 31 March 2019** | **44,388** | **51,764** | **6,853** | **3,871** | **290** | **89,293** | **4,095** | **58** | **5,160** | **205,772** |
| **Depreciation** | | | | | | | | | | |
| **At 1 April 2018** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Charges in year | - | 2,207 | 171 | 823 | 35 | 6,646 | 530 | - | - | 10,412 |
| Revaluations | - | 57 | (22) | - | - | - | - | - | - | 35 |
| Reclassification | - | (635) | - | - | - | 626 | 9 | - | - | - |
| **At 31 March 2019** | **-** | **1,629** | **149** | **823** | **35** | **7,272** | **539** | **-** | **-** | **10,447** |
| **Net book value 1 April 2018** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net book value 31 March 2019** | **44,388** | **50,135** | **6704** | **3,048** | **255** | **82,021** | **3,556** | **58** | **5,160** | **195,325** |
| **Assets financing** | | | | | | | | | | |
| Owned | 44,388 | 50,135 | 6,704 | 3,048 | 255 | 82,021 | 3,556 | 58 | 5,160 | 195,325 |
| Finance Leased | - | - | - | - | - | - | - | - | - | - |
| **Net book value 31 March 2019** | **44,388** | **50,135** | **6,704** | **3,048** | **255** | **82,021** | **3,556** | **58** | **5,160** | **195,325** |

Land and Buildings have been valued using the Office Index – Mid Town and West End which is 4. 11% and Dwellings have been valued using the Residential Index – City of Westminster, which is -14. 03% as advised by Montagu Evans; the independent valuers.

Assets donated and transferred to the GPA have been included at fair value within Gross Book Value, and there is no accumulated depreciation.

Freehold assets were revalued by the Cabinet Office and BEIS prior to transfer to the GPA at 31 March 2018 by Valuations Office Agency (VOA) and Montagu Evans.

All assets are classified as Level 2 assets in applying the fair value hierarchy.

## 6. Trade receivables and other current assets

| | 31 March 2019 |
|---|---|
| | **£'000** |
| **Amounts falling due after one year** | |
| Due from other government departments | 35,798 |
| **Total receivable after one year** | **35,798** |

| | 31 March 2019 |
|---|---|
| | **£'000** |
| **Amounts falling due within one year** | |
| Trade Receivables | 26,284 |
| VAT receivable | 2,731 |
| Prepayments | 17,450 |
| Accrued income | 6,088 |
| **Total Receivables within one year** | **52,553** |

Trade receivables in respect of contracts with customers amounted to £17.5 million and accrued income in respect of contracts with customers amounted to £5.1 million.

## 7. Cash and Cash equivalents

| | 31 March 2019 |
|---|---|
| | **£'000** |
| **Balance at 1 April 2018** | **-** |
| Net change in cash and cash equivalent balances | 7,600 |
| **Balance at 31 March 2019** | **7,600** |
| **The following balances at 31 March are held at:** | |
| Government Banking Services | 7,600 |
| **Balance at 31 March 2019** | **7,600** |

## 8. Trade Payables and Other payables

| **Amounts falling due within one year** | 31 March 2019 |
|---|---|
| | **£'000** |
| Trade payables | 28,939 |
| Accruals | 10,577 |
| Accruals for untaken annual leave | 202 |
| Other payables | 267 |
| Deferred Income | 14,727 |
| **Total Payables** | **54,712** |

Trade payables in respect of contracts with customers amounted to £24.5 million and deferred income in respect of contracts with customers amounted to £10.5 million.

## 9. Financial instruments

The GPA is not exposed to significant financial risk factors arising from financial instruments. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change by the risks facing the entity in undertaking its activities.

### Fair Value of financial instruments

The fair value of the financial instruments is equivalent to the carrying amount disclosed in the SOFP. Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, and trade and other payables. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables and trade and other payables approximates their fair value.

### Credit risk

Credit risk is the risk that a third party will default of its obligations causing the GPA to incur a loss.

In general exposure to credit risk arises from cash held by banks and trade and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amounts in the SoFP.

The GPA's cash assets are held within the Government Banking Service only and is therefore not exposed to significant credit risk.

Other government funded entities make up a significant portion of the GPA's receivables and it has been assessed these are low risk due to being government funded. However where there is doubt over the recoverability of debt, the GPA will recognise a provision for impairment of trade receivables for doubtful debts.

### Liquidity risk

Liquidity risk is the risk that the GPA will encounter difficulty in raising liquid funds to meet commitments as they fall due.

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding. The GPA mostly manages liquidity risk by continuously monitoring forecast cash flow requirements and reporting these to the Cabinet Office.

### Market risk

Market risk arises when changes in market price, such as foreign exchange rates, interest rates and equity prices, will affect their income of the value of its holding financial instruments.

The GPA's transactions are all undertaken in sterling so it is not exposed to foreign exchange risk. The company holds only cash balances and does not have any borrowings and as such operating cash flows are independent of changes in market interest rates.

The GPA is exposed to movements in the property market as the GPA's assets consist predominantly of land and buildings.

The GPA is not exposed to significant market risk in relation to rents because rent costs are passed through to tenants.

## 10. Provisions

| | 31 March 2019 £'000 |
|---|---|
| **Balance at 1 April 2018** | **-** |
| Provided in the year | 26,124 |
| Transfer of functions | 16,301 |
| Provisions not required written back | (2,286) |
| **Balance at 31 March 2019** | **40,139** |

| **Analysis of expected timings of discounted flows** | |
|---|---|
| Not later than one year | 2,415 |
| Later than one year and not later than five years | 18,310 |
| Greater than 5 years | 19,414 |
| **Balance at 31 March 2019** | **40,139** |

**Receivable recognised in respect of provisions**

| | 31 March 2019 £'000 |
|---|---|
| **Balance at 1 April 2018** | **-** |
| Created in the year | 38,212 |
| **Balance at 31 March 2019** | **38,212** |

The above receivable is split in the SOFP with £35.8 million recognised as non-current trade and other receivables and the balance of £2.4 million within trade and other receivables in current assets (note 6).

**Reconciliation of provisions movement to the SOCNE**

| | 31 March 2019 £'000 |
|---|---|
| Provided in the year | 26,124 |
| Provisions not required written back | (2,286) |
| Provisions re-charged to tenants | (38,212) |
| **Balance at 31 March 2019** | **(14,374)** |

Provisions relate to dilapidations for buildings managed by GPA and occupied by tenants. Amounts recognised are subject to annual assessment and, where appropriate, valuation techniques to ensure amounts recognised are appropriate, adhere to the relevant standard and are supportable. Where appropriate, the charge is passed on to the occupying tenant and the GPA recognises a receivable balance in respect of these amounts as set out above, with the difference arising from voids being recognised in the SOCNE.

## 11. Capital Commitments

The GPA has no capital commitments at 31 March 2019.

## 12. Leasing

### Operating Leases with tenants

The GPA leases out all of its properties under operating leases for average lease terms of 9 to expiry. The future aggregate minimum rentals, excluding contingent rents receivable under non-cancellable leases are as follows:

| | 31 March 2019 £'000 |
|---|---|
| Less than one year | 61,418 |
| Between one and five years | 118,740 |
| More than five years | 88,422 |
| **Total operating leases with tenants** | **268,580** |

### Operating leases where the GPA is lessee

The GPA has various operating leases under non-cancellable operating lease agreements. The average lease term is 14 years and the majority have the ability to renew at the end of the term at a market rate. The future aggregate minimum payments are as follows:

| | 31 March 2019 £'000 |
|---|---|
| Less than one year | 76,670 |
| Between one and five years | 204,878 |
| More than five years | 250,714 |
| **Total operating leases as lessee** | **532,262** |

## 13. Other Financial Commitments

Commitments relate to facilities management in buildings owned or leased by the GPA. This excludes financial commitments generated where the GPA is acting as agent for an asset owner. The asset owner will record the financial commitment.

| | 31 March 2019 £'000 |
|---|---|
| Not later than one year | 14,401 |
| **Total Other Financial Commitments** | **14,401** |

## 14. Contingent Liabilities

Prior to on-boarding with the GPA, the Cabinet Office held a provision of £2.3 million for dilapidations in respect of Windsor House. GPA and the various occupiers have since made a significant level of improvements to the property and therefore, the likelihood of a dilapidations liability arising is deemed possible but not likely. The provision has been written back in 2018-19 and is disclosed as a contingent liability at 31 March 2019. Where appropriate, the dilapidations charge is passed on to the occupying tenant.

## 15. Transfer of function

The transfer of assets and programmes to the GPA, are assessed for recognition and application in accordance with the FReM and other frameworks covering all such transfers.

In April 2018, the Hubs programme moved from the Cabinet Office into the newly created GPA. Staff were transferred via COSOP arrangements as part of the transfer, as this transfer occurred within the Cabinet Office group this has been accounted for as transfer by absorption. The programme has a specific set of activities and objectives, as set out in annual Programme Business Cases. The Hubs programme included within it the Smarter Working programme (which has no separate assets and liabilities) and its budget was contained within the Hubs programme budget.

The transfer consists of Property, plant and equipment of £70.2 million as well as dilapidation provisions on 10 South Colonnade of £14.0 million and Windsor House of £2.3 million. The transfer resulted in a net gain of £33.9 million comprising a gain of £76.7 million and a loss of £42.9 million.

There is an annual £7.5 million budget for the delivery of the programme, which includes staffing and, as above, budget for Smarter Working. The programmes are continuing and the budget which was held in the Cabinet Office Core in 2017-18, is now held with the GPA in 2018-19. Accountability has therefore transferred to the GPA with Accounting Officer responsibility transferring too.

The following table reflects the impact on the GPA Accounts arising from the transfer on 1 April 2018:

| | **1 April 2018** |
|---|---|
| | **£'000** |
| **Non-current assets** | |
| Property, plant and equipment | 70,208 |
| **Total non-current assets** | **70,208** |
| **Current assets** | |
| Trade and other receivables | 6,522 |
| Cash and cash equivalents | - |
| **Total current assets** | **6,522** |
| **Total assets** | **76,730** |
| **Current liabilities** | |
| Trade and other payables | (26,578) |
| Provisions | - |
| **Total current liabilities** | **(26,578)** |
| **Total assets less current liabilities** | **50,152** |
| **Non- current liabilities** | |
| Provisions | (16,301) |
| **Total non- current liabilities** | **(16,301)** |
| **Total assets less total liabilities** | **33,851** |
| **Taxpayers' equity and other reserves** | |
| General fund | 33,851 |
| Revaluation reserve | - |
| **Total equity** | **33,851** |

## 16. Asset transfers

The GPA was donated assets to the value of £108.6 million; £100.8 million from the Cabinet Office and £7.8 million from BEIS (see note 5).

As a result of the asset transfers, a revaluation reserve of £29.5 million was created from the general reserve. No restrictions have been placed on these assets by the donor.

## 17. Cash Flow reconciliations

| | Note | 2018-2019 £'000 |
|---|---|---|
| Asset transfer | 16 | 108,587 |
| Transfer of function | 15 | 33,851 |
| **Total non-cash income** | | **142,438** |

| | Note | 2018-2019 £'000 |
|---|---|---|
| Short term receivable | 6 | (52,553) |
| Long term receivable | 6 | (35,798) |
| Transfer of function | 15 | 6,522 |
| **Change in trade and other receivables** | | **(81,829)** |

| | Note | 2018-2019 £'000 |
|---|---|---|
| Payables | 8 | 54,712 |
| Transfer of function | 15 | (26,578) |
| **Change in trade and other payables** | | **28,134** |

| | Note | 2018-2019 £'000 |
|---|---|---|
| Depreciation | 5 | 10,412 |
| Provisions | 10 | 40,139 |
| External auditors' remuneration | 3 | 135 |
| Transfer of function | 15 | (16,301) |
| **Total non-cash expenditure** | | **34,385** |

## 18. Related Party Transactions

GPA is an executive agency of and sponsored by, the Cabinet Office which is regarded as a related party. During the year, GPA has had material transactions with the Cabinet Office and other entities for which the Cabinet Office is regarded as the parent Department including Crown Commercial Services.

In addition, GPA has received transferred assets, rental income and non-rental income from on-boarded clients. The most significant of these transactions have been with BEIS.

No guarantees were given or received from any of the outstanding balances, and no credit loss impairments have been recognised in respect of any amounts outstanding at the reporting date.

Details of remuneration for Board members can be found in the Remuneration Report section of the Accountability Report. Non-Executive and Executive Board members must declare to the Accounting Officer and Board any personal or business interest which may, or may be perceived to, influence their judgement as a Board member.

As referred to in the Register of Interests (paragraph 3.2), the GPA holds a register of interests for Board members and each interest is assessed to determine whether this represents a conflict. During the year no Board member, key manager or other related parties, other than those mentioned, have undertaken any material transactions with the GPA.

## 19. Events after the Reporting Date

In accordance with the requirements of IAS 10 *Events after the reporting period* are considered up to the date on which the accounts are authorised for issue by the Accounting Officer. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

As at the date of the Audit Certificate and Report, the following reportable events had occurred:

On 28 February 2019, a Statutory Instrument (SI) was laid in Parliament which enabled the transfer of the Whitehall District Heating System and Whitehall Standby Distribution System (‘the Whitehall Systems’) to the GPA from the Crown Commercial Service (CCS) Trading Fund. GPA will operate and manage the Whitehall Systems with effect from 1 April 2019.

The transfer formally took place on 1 April 2019 and results in a £3.9 million Property, plant and equipment asset and £1.6 million deferred income liability transferring to GPA. The transfer is considered a Machinery of Government transfer of function under the FReM and will be accounted for as a transfer by absorption in 2019-20.

On 1 April 2019 the Department for Exiting the European Union (DExEU) were on-boarded. GPA has assumed responsibility for three operating lease commitments.

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