

ANNUAL GOVERNANCE STATEMENT 2022/23

Presented by the Deputy Chief Executive

SUMMARY

This report sets out the Annual Governance Statement to be included within the Statement of Accounts for 2022/23.

RECOMMENDATION

Members Approve: (1) the Annual Governance Statement attached at Appendix A to this report to be included within the Accounts, subject to any comments received from Members.

BACKGROUND

- 1 The Accounts and Audit Regulations 2015 required the Authority's Accounts to be signed, certified and published by 31 July each year. The Accounts and Audit (amendment) Regulations 2022 extended the deadline for the publication of final audited accounts to 30 September for 2022/23 accounts. Due to delays in previous years' accounts, this deadline will not be achievable.
- 2 The external audit of the Authority's final accounts for 2020/21 has not yet been completed. There was a delay in commencing the audit due to External Auditor capacity issues, which was an issue felt throughout the public sector following Covid. During the audit process an issue was identified with historic asset valuations, which has required significant recalculation. The audit is now close to completion, however there will be a requirement for prior period adjustments. This delay has had a knock-on effect on 2021/22 and 2022/23 accounts.

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- 3 The Authority has adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*. This statement explains how the Authority has complied with the Code; and also meets the requirements of Regulation 6(1)(b) of the Accounts and Audit Regulations 2015 in ensuring that there is a sound system of internal control and that this Committee approves the Annual Governance Statement.

- 4 Members need to ensure that a sound system of internal control is maintained and an annual review of the effectiveness of the system of internal control is conducted to provide sufficient, relevant and reliable assurance to enable them to authorise the signing of the Authority's Annual Governance Statement and for it to be published with the Financial Statements.
- 5 Assurance derived through the monitoring of processes, including risk management, provides evidence which allows the Authority to form conclusions on the efficiency and effectiveness of operations. The scope of internal control spans the whole range of the Authority's activities and includes those controls designed to ensure:
 - the Authority's policies are put into practice;
 - the organisation's values are met;
 - laws and regulations are complied with;
 - required processes are adhered to;
 - financial statements and published information is accurate and reliable; and
 - human, financial and other resources are managed efficiently and effectively.
- 6 A draft Annual Governance Statement is attached at Appendix A to this report for approval by Members.

ENVIRONMENTAL IMPLICATIONS

- 7 There are no environmental implications arising directly from the recommendations in this report.

EQUALITY IMPLICATIONS

- 8 There are no equality implications arising directly from the recommendations in this report.

FINANCIAL IMPLICATIONS

- 9 There are no financial implications arising directly from the recommendations in this report.

HUMAN RESOURCE IMPLICATIONS

- 10 There are no human resource implications arising directly from the recommendations in this report.

LEGAL IMPLICATIONS

- 11 There are no legal implications arising directly from the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

- 12 These are dealt with within the Annual Governance Statement detailed in Appendix A to this report.

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PREVIOUS COMMITTEE REPORT

Audit Committee	AUD/130/23	Accounting Policies & Accounts Closedown Timetable 2022/23	23 February 2023
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APPENDIX ATTACHED

Appendix A	Annual Governance Statement 2022/23
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Scope of responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority does not have a duty under the Local Government Act 1999 in the same way that local authorities do to make arrangements to secure continuous improvement when exercising its functions, having regard to a combination of economy, efficiency and effectiveness; but it considers and adopts these elements as a matter of best practice.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk.

The Authority has adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework for Good Governance in Local Government. This statement explains how the Authority has complied with the Code and also meets the requirements of Regulation 6(1)(b) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

The purpose of the governance framework

The governance framework comprises the systems and processes for the direction and control of the Authority and its activities for which it is accountable to its stakeholders and the wider community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks likely to impair the achievement of the Authority's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2023 and up to the date of approval of the statement of accounts.

The governance environment

A clear statement of the Authority's purpose and vision is set out in its "Business Plan priorities 2020-25", included as part of the 2020/21 Revenue Budget and Levy (Paper A/4276/20). Further detail is included in "Our Business Plan 2022/23", and the medium term business plan that is currently being developed. These priorities are translated into more specific aims and objectives in the service improvement plans which are prepared annually and, where objectives are complex, included as part of the corporate risk register as part of the risk management framework. The achievement of these objectives is monitored by the Senior Management Team, and the Executive, Audit and Scrutiny committees.

The Authority does not have directly elected Members but Members appointed to the Authority by local councils. Members are responsible for setting policies and priorities and for the efficient and effective use of resources. The behaviour of Authority Members is regulated through a Model Code of Conduct made by statutory instrument, which is adopted and regulated within their own Councils' systems and which is supported by a Members' planning code of good practice within this Authority. The Authority has an approved Conflict of Interests/Loyalties Protocol which sits as an Appendix to Standing Orders. Employees are also subject to a Code of Conduct and a number of specific policies (e.g. on whistle blowing, IT usage, bullying and harassment) which are set out in the Employee Handbook. Advice on these matters is embedded through on-going training.

The Authority is not required to have a formal constitution but has adopted a traditional local authority style committee model. Policy and decision making are facilitated by a clear framework of delegation set out in the Lee Valley Regional Park Act 1966, the Authority's Standing Orders and Financial Regulations. This sets out, among other things, where responsibility lies for developing and delivering policy, and for taking decisions. The Standing Orders and Financial Regulations provide for some delegation to officers but within a policy framework laid down by the Authority, and with the more significant executive decisions being taken by the elected Members of the Executive Committee and the Full Authority. The Authority is also able to hold its decision making meetings in person and remotely (both fully remote and hybrid).

Compliance with established policies, procedures, laws and regulations is ensured by the requirement in the Standing Orders to give the Chief Executive, the Monitoring Officer and the Chief Finance Officer the opportunity to comment on every report submitted to a decision making body. The Monitoring Officer has a legal duty to ensure the lawfulness of decision making.

Risk management is embedded in the Authority through a Corporate Risk Management Framework (Paper AUD/131/23) which includes the requirement to identify strategic and operational risks, assess those risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls. The Authority maintains and reviews a register of its business risks, linking them to strategic business objectives and assigning ownership for each risk. Risk management awareness is an integral part of the Authority's employee/management competency framework. Risk Management is led on at Director level and matters of risk for the Authority are reported directly to the Audit Committee who receive reports on risk management at each meeting and who take appropriate action to ensure that corporate business risks are up-to-date; being actively managed; and agree the soundness of the Authority's risk management arrangements.

The Authority's programme for delivering continuous improvement in its services is set out in the annual service plan and driven by the Business Priorities. Actions for improvement are drawn from a variety of sources including internal audit; the Authority's own service reviews, health and safety audits, and external inspections such as those undertaken by Quest and Green Flag. An annual assessment of performance, detailing future performance targets, is set out in the Scrutiny Scorecard Reports agreed three times a year by the Scrutiny Committee.

Section 151 responsibilities are carried out through a Service Level Agreement with the London Borough of Enfield (LBE) in conjunction with the Head of Finance role in the Authority. The Executive Director of Resources (LBE) is designated as the responsible officer for the administration of the Authority's financial affairs under section 151 of the Local Government Act 1972 and section 11 (1) of the Lee Valley Regional Park Act 1966. This includes ensuring the lawfulness and financial prudence of decision making; providing advice, particularly on financial impropriety, publicity and budget issues; giving financial information; and acting as the Authority's money laundering, whistle blowing and anti-fraud, bribery & corruption reporting officer. Policies relating to whistle blowing anti-fraud, bribery & corruption were approved by the full Authority in January 2021 (Paper A/4291/21). This is supported by Authority wide awareness training for all staff and elected Members. The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Authority has a performance management regime through which quality of service is measured through corporate performance indicators which in turn are reported through the Scrutiny Scorecard. This is monitored by the Senior Management Team and scrutinised three times a year by the Scrutiny Committee.

Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Authority who have responsibility for the development and maintenance of the governance environment, recommendations from the Annual Internal Auditor's report, comments and recommendations made by the external auditors and other reviews by independent agencies.

The terms of reference for the Audit Committee requires it to monitor and review the Authority's system(s) of internal financial control and authorise/approve the Annual Governance Statement; it also monitors and reviews the Authority's Health & Safety and risk management policies and programmes.

The Internal Auditor reports to the Authority's Chief Executive Officer and Corporate Director, but in order to ensure independence has direct access to the, Monitoring Officer, the Chair of Audit Committee and the Audit Committee itself.

The Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control, which is incorporated in the Annual Internal Audit Report to the Audit Committee. The Annual Internal Audit Report for 2022/23, which was presented to the Audit Committee on 22 June 2023 (Paper AUD/133/23), provided moderate assurance, that the Authority's internal control systems are considered to be fundamentally sound and accords with good practice.

The current Risk Management Strategy was approved by the Audit Committee on 23 June 2022 (Paper AUD/126/22). The Strategic Risk Register has undergone regular review and monitoring this year by the Audit Committee and any changes to

the risk register are reported on to the Executive Committee to ensure they are also aware of any new risks that are added or any other amendments that are made.

The Audit Committee also ensure a robust management framework for Health & Safety is maintained. The Authority appointed Right Directions Limited as their new Health and Safety service provider for a seven year contract, commencing in October 2022. The new contract is for a full and comprehensive service including proactive and reactive support, delivery of training, event support and audits with improvement recommendations. Authority operated sites achieved an 88% approval rating during the year. Health and Safety matters were reported separately to the Audit Committee in the Annual Health & Safety report to the Audit Committee on 22 June 2023 (Paper AUD/134/23).

Senior Managers continue to review the processes and controls they have in place to allow them to achieve their service objectives. Reporting on financial and performance management information to the Executive Committee and the Scrutiny Committee has taken place over the course of the year. Based on the information provided during the year and reviews of data quality, controls can be seen to be satisfactorily in place.

The review of the effectiveness of the system of internal control is informed by:

- The work of managers within the Authority;
- The work of the Internal Auditor;
- The work of the Health & Safety contractor;
- The work of Corporate Risk Management;
- Performance Management Information; and
- The External Auditors in their Annual Audit Results report.

The results of the review of the Authority's system of internal control have concluded that it is satisfactory and effective.

Significant Governance Issues

The Authority received significant assets as a result of the London 2012 Olympics. The London Legacy Development Corporation completed the legacy transformation works at the Lee Valley VeloPark, and Lee Valley Hockey & Tennis between April 2013 and May 2014. These assets were transferred to the Authority and are recognised in the accounts. These additional asset transfers are valued in excess of £120m, and with that comes a responsibility to manage and operate these as economically and efficiently as possible and in line with the Lottery Funding Agreements with Sport England that the Authority has entered into.

The external audit of the Authority's final accounts for 2020/21 has not yet been completed. There was a delay in commencing the audit due to External Auditor capacity issues, an issue which has been felt across the public sector following Covid. During the audit process an issue was identified with historic asset valuations, which has required significant recalculation. The audit is now close to completion, however there will be a requirement for prior period adjustments. This delay has had a knock on effect on 2021/22 and 2022/23 accounts.

The Authority's existing governance structure was put in place in 2009. It was reviewed in July 2010 and 2015 to ensure management and decision making processes remained robust, relevant and fit for purpose. Members continue to review the committee structures on an annual basis at the AGM – the most recent review in July 2022 (Paper A/4320/22) although this will be reviewed again shortly at the next AGM in July 2023. In support of the Full Authority there are Executive, Audit, Scrutiny and Regeneration and Planning committees covering all areas of the Regional Park. Relevant Member working groups are established annually and cover Park wide strategic initiatives as well as specific major projects and initiatives.

Members agreed to the establishment of an Independent Remuneration Panel (IRP) to carry out a review of the remuneration of the roles of Chairman and Vice Chairman at full Authority in July 2022 (Paper A/4320/22). The IRP has now been established and will meet on 21 July 2023 to carry out their review and provide a recommendation on the level of remuneration for the Chairman and Vice Chairman which will then be reported to the Authority in October for Members to consider and approve.

Accounting policies, estimates and assumptions are reviewed each year by the Head of Finance and approved by the Audit Committee (Paper AUD/130/23), to ensure they are relevant and up-to-date and that they accord with best practice.

The budget for 2022/23 was set in the context of continued recovery post Covid, and the need to ensure sufficient reserves to provide resilience for any future shocks. The Authority's venues and services performed well with business generally

returning to pre-pandemic levels and the adverse impact of events below mitigated through over-performance elsewhere and in-year efficiency savings.

The operation of the major sports venues were transferred to Greenwich Leisure Limited (GLL) in April 2022 as the new ten year Leisure Services Contract (LSC) commenced. The first year of the contract has been successful with staff TUPE transferred, partnership working arrangements embedded and venues continuing to deliver programmes and events to a high standard. In the first year of the contract a management fee was paid from the Authority to GLL. This fee will reduce in year two, and by year three this will become a payment from GLL to the Authority, that increases each year. There have been some management fee adjustments in year one in line with the contract, these relate to loss of income due to maintenance and investment projects, major events and the delay in the opening of Lee Valley Ice Centre where the anticipated customer programme was interrupted.

The 2022/23 budget anticipated significant increases in energy costs, however it was unforeseen that the war in Ukraine and other factors would lead to such significant increases. The Authority's contract gave some protection through fixed prices until September, and then prices that were secured at or below the Government's Energy Bill Relief Scheme. The LSC includes a shared risk position for utilities for the first two years, where GLL take the risk for consumption and the Authority take the risk for tariff. A partnership approach resulted in short term consumption savings and agreement of investment into LED lighting at the venues to reduce ongoing consumption.

The construction of the new Lee Valley Ice Centre reached practical completion in May 2023 and was immediately handed over to the operator GLL. The venue opened to the public in June 2023, a delayed opening due to supply chain issues. The project was anticipated to be fully funded from external borrowing, with an original strategy of short term loans during the construction phase, to be converted to long term loans on completion. This was subsequently amended to allow greater flexibility with borrowing due to the increase in lending rates. Part of the capital receipt for the disposal of Mile and Langley Nursery has enabled the borrowing need to be reduced.

The legal challenge from Lee Valley Leisure Trust Limited in relation to the management fee and end of contract liabilities which continued after the end of the 5 year contract on 31st March 2020 was concluded in the autumn of 2022 with a Settlement Agreement.

The Authority sets the annual budget in the context of the five year business priorities. The assumptions behind this forecast are reviewed annually; the medium term financial forecast is restated and then approved by Members. The Authority is conscious of the financial pressures faced by the levied authorities and the spending assessments that impact upon them. The budget for 2023/24 was set in the context of the increased energy prices and the need to replenish reserves in the medium term. The budget has been balanced through savings, efficiencies, use of reserves and the levy. Authority Members agreed a 9% increase in the levy (Paper A/4329/23). Officers and Members are committed to providing on-going savings and efficiencies to achieve economy and efficiency through the best use of public funds whilst delivering its own core objectives set out in the draft medium term business plan and statutory role. Consideration of the levy in future years will be subject to inflation, business risks and other economic factors prevailing at the time.

The Authority's approved medium term business priorities ensure it continues to meet existing and new corporate objectives that are emerging and this has fed into the medium term financial planning of the Authority. Having established the operational model for its 6 sporting venues, the Authority will, as part of the new business plan priorities, continue a rolling review of service areas including its in-house operational venues with the aim of determining the most cost efficient and effective delivery mechanisms.

Reporting on the Authority's use of Public Funds demonstrates to stakeholders and Council Tax payers how their money is spent. Closing the accounts in a timely manner and receiving an unqualified Audit opinion provide information and evidence to those stakeholders about how the Authority works.

Shaun Dawson
Chief Executive
xx xxx 2023

Paul Osborn
Chairman
xx xxx 2023